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Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

NOVEMBER 1985

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FACTS '85

PLUS:

- Pre-Show Report
- White-Collar Motivation
- Self-Liquidators

EMPLOYEE MOTIVATION
White-Collar Productivity

November 1985

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Cover Photo
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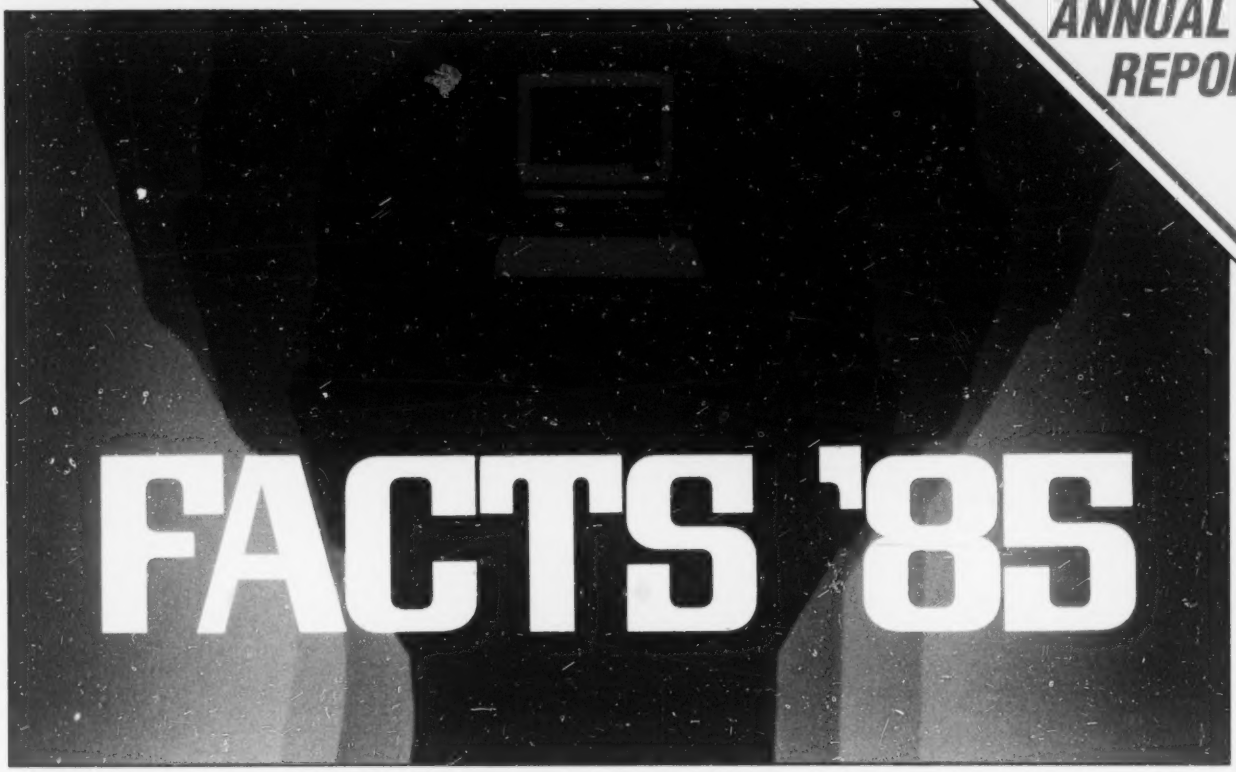

FACTS '85

In a downhill year, with signs that growth of the gross national product will not exceed 2%, the ingredients of sustained growth in incentive usage are not present.

What can you expect of an economic year like 1985? For most incentive users, the obvious answer is "much less than you expected last year."

The robust recovery most marketers shared in 1984—which led to a major resurgence of incentive activity—did not last far into this year, and incentive users reacted with more caution than confidence.

Despite rosy early-year forecasts, gray realities took hold going into the second half. The expansion rate in incentive usage, estimated at 13.3 percent in 1984, dipped to 7.9 percent for this year as a whole.

Given lower inflation, that expansion in 1985 represents real growth in the neighborhood of 4 percent or so, but that is far slower growth than last year's.

Companies still are fighting for market shares, especially with sales force incentive programs, which history shows can help the most. But the bloom is off in an atmosphere of sluggish sales for most industries and relentless talk of a new recession.

Respondents to **Incentive Marketing's** special surveys on incentive usage showed a uniform optimism earlier in the year, apparently a holdover of 1984 enthusiasm. The enthusiasm did not stand up when the final estimates were made.

Those final estimates add up to an increase to about $12.77 billion this year in expenditures for all forms of incentive programs, 7.9 percent above last year's $11.83 billion.

The 1984 upturn in incentive expenditure was the biggest percentage increase since 1976, also a post-recession year, when activity jumped by 18.7 percent. That major expansion continued in the following two years at 16.2 percent and 15 percent, respectively.

In a downhill year, with signs that growth of the gross national product will not exceed 2 percent, the ingredients of sustained growth in incentive usage are not present this time. Although the year is not over, any changes in 1985 budgets made after October cannot be of major consequence. Only a small quick-and-dirty, firefighting type of promotion could be planned and executed in the remaining weeks of the year.

Sales incentives, which usually outrun the rest of the field in a period of recovery, have continued to do so this year—but not by much. While sales force motiva-

FACTS '85

The growth leader by a big margin is building materials, with reports showing a 19.3% increase in incentive outlays.

tion efforts were reported up 19.9 percent last year, the 1985 estimate shows only a 9.4 percent increase. As it did a year ago, growth in use of travel awards is outpacing merchandise slightly, with a 10.1 percent increase, against 9.2 percent for merchandise.

Dealer incentives are not far behind, showing an 8.9 percent estimated increase. Again, travel growth is slightly greater, rising 10.2 percent, while merchandise promotions for wholesalers, contractors and retailers were gaining 8.3 percent.

The slowest growth this year has been in consumer mail-in promotions, up 7.5 percent, while direct premiums used by manufacturers gained 9.1 percent. Retail promotion to consumers has advanced only 6.1 percent overall —but with a downward thrust caused mostly by a 5.8 percent decline in trading stamps. All other forms of retail premium usage are estimated up 9.8 percent.

Business gifts are moving up only 5.1 percent this year, after two years of growth in the 8 percent range.

THE INCENTIVE FIELD AT A GLANCE

	1984 EXPENDITURES	% CHANGE	1985 EXPENDITURES	% CHANGE
	(ALL FIGURES IN THOUSANDS—"000" OMITTED)			
SALES INCENTIVES	$2,984,320	19.9	$3,264,679	9.4
Merchandise	2,260,834	19.5	2,468,214	9.2
Travel	723,486	21.3	796,465	10.1
DEALER INCENTIVES	$2,045,792	12.2	$2,228,063	8.9
Merchandise	1,345,576	11.4	1,456,672	8.3
Travel	700,216	13.8	771,391	10.2
MERCHANDISE TOTAL	$3,606,410	16.3	$3,924,886	8.8
TRAVEL TOTAL	$1,423,702	17.5	$1,567,856	10.1
TRADE TOTAL	$5,030,112	16.6	$5,492,742	9.2
BUSINESS GIFTS	$1,122,164	8.5	$1,179,502	5.1
CONSUMER PREMIUMS				
Product Promotion	$3,352,402	11.4	$3,629,492	8.3
● Mail-in Offers	1,700,310	11.5	1,827,436	7.5
● Direct Premiums	1,652,092	11.2	1,802,056	9.1
Retail Promotion	$2,326,000	11.6	$2,468,500	6.1
● Trading Stamps	554,000	4.5	522,000	-5.8
● Other Retail Premiums	1,772,000	14.0	1,946,500	9.8
CONSUMER TOTAL	$5,678,402	11.5	$6,097,992	7.4
TOTAL USAGE	**$11,830,678**	**13.3**	**$12,770,236**	**7.9**

Among the industry groups separately reported in **IM** estimates, 19 are running ahead of the all-industry growth of 7.9 percent, while the other 13 are lagging. Seven show fairly high expansion, topping 9 percent; four are under 6 percent.

The aggressors, with incentive activity up above the 7.9 percent average, are:

Apparel	**+ 8.7%**
Automobiles & trucks	**+ 8.6%**
Beer, ale & soft drinks	**+ 9.7%**
Building materials	**+19.3%**
Detergents & cleansers	**+ 8.4%**
Electronics, radio, TV	**+ 9.6%**
Heating & air conditioning	**+ 9.9%**
Industrial chemicals	**+ 8.2%**
Insurance	**+ 8.7%**
Luggage, jewelry & accessories	**+ 8.4%**
Machinery & supplies	**+ 9.5%**
Office equipment	**+ 8.9%**
Paints & varnishes	**+ 8.2%**
Paper products & packaging	**+ 8.0%**
Pharmaceuticals	**+ 8.1%**
Publishers, printers, broadcasters	**+ 8.7%**
Toiletries & cosmetics	**+ 8.4%**
Miscellaneous industries	**+ 8.7%**
Wholesalers & distributors	**+ 9.3%**

On the down side, these industries failed to keep up with the average incentive expansion:

Auto parts, tires, accessories	**+ 7.6%**
Banks and savings & loan	**+ 6.4%**
Electric appliances	**+ 7.7%**
Electrical & lighting equipment	**+ 6.8%**
Farm equipment	**+ 5.5%**
Feed, fertilizer, farm supplies	**+ 6.2%**
Food products	**+ 7.2%**
Furniture & floor coverings	**+ 7.1%**
Hardware	**+ 6.6%**
Housewares & home furnishings	**+ 1.8%**
Petroleum products	**+ 7.7%**
Public utilities	**+ 3.8%**
Sporting goods & toys	**+ 7.1%**

FACTS '85

Despite rosy early-year forecasts, gray realities took hold going into the second half.

INCENTIVE USAGE BY INDUSTRY

(ALL FIGURES IN THOUSANDS-000 OMITTED)

INDUSTRY	TOTAL EXPENDITURES	% CHANGE FROM 1984
FOOD PRODUCTS	$1,298,954	7.2
TOILETRIES & COSMETICS	$ 759,227	8.4
AUTO PARTS, TIRES, ACCESSORIES	$ 733,148	7.6
INSURANCE	$ 540,394	8.7
AUTOMOBILES & TRUCKS	$ 411,165	8.6
ELECTRONICS, RADIO, TV	$ 407,861	9.6
BUILDING MATERIALS	$ 276,248	19.3
OFFICE EQUIPMENT	$ 249,129	8.9
PETROLEUM PRODUCTS	$ 238,304	7.7
PUBLISHERS, PRINTERS, BROADCASTERS	$ 236,136	8.7
HEATING & AIR CONDITIONING	$ 234,943	9.9
FARM EQUIPMENT	$ 230,492	5.5
BANKS, SAVINGS & LOANS	$ 208,510	6.4
HOUSEWARES, HOME FURNISHINGS	$ 203,144	1.8
FEED, FERTILIZER, FARM SUPPLIES	$ 200,107	6.2
BEER, ALE, SOFT DRINKS	$ 195,595	9.7
DETERGENTS & CLEANSERS	$ 193,000	8.4
ELECTRIC APPLIANCES	$ 180,953	7.7
PHARMACEUTICALS	$ 153,159	8.1
MACHINERY & SUPPLIES	$ 124,184	9.5
ELECTRICAL & LIGHTING EQUIPMENT	$ 109,456	6.8
INDUSTRIAL CHEMICALS	$ 98,533	8.2
FURNITURE & FLOOR COVERINGS	$ 88,010	7.1
PAPER PRODUCTS & PACKAGING	$ 74,306	8.0
APPAREL	$ 58,686	8.7
PAINTS & VARNISHES	$ 54,161	8.2
SPORTING GOODS & TOYS	$ 46,657	7.1
HARDWARE	$ 33,626	6.6
LUGGAGE, JEWELRY, ACCESSORIES	$ 24,532	8.4
PUBLIC UTILITIES	$ 22,738	3.8
MISCELLANEOUS INDUSTRIES	$1,434,176	8.7
DISTRIBUTORS, WHOLESALERS	$1,182,208	9.3
RETAILERS, GROCERY	$1,256,000	2.9
RETAILERS, OTHER	$1,212,500	9.7

The growth leader by a big margin is building materials, with reports showing a 19.3 percent increase in incentive outlays this year. Heavy expansion in travel programs is accompanied by a huge percentage growth (179 percent) in the industry's smallest category—other premiums (mainly free direct premiums).

Building materials takes its lead from the housing market, and that has been a rare pocket of strength this year—as Fortune magazine noted at midyear, "one of the few firm spots in an otherwise mushy U.S. economy." Housing starts in 1984 boomed to 1.75 million, and there is a suggestion they may even exceed that level this year.

Building materials manufacturers added only about 8 percent to their incentive investment last year. The largest growth in 1984 was in the small direct premiums category, which rose 12.7 percent. The lack of greater incentive expansion in what was a strong housing year may be traceable to the increased emphasis on direct premiums and travel programs. Because these two areas are new to building materials marketers, it probably took them some time before they could crank up their programs. Travel usage for building materials salespeople and dealers rose 20.7 percent and 21.6 percent, respectively.

The second-largest increase this year, 9.9 percent, is recorded by the heating and air conditioning industry—a category with close ties to housing.

Another industry boosting incentive use at a better-than-average rate this year is automobiles and trucks, which sold 14 million vehicles last year and is expected to pass the 15 million mark in the 1985 model year. Incentive effort in the industry last year reflected the good times, with more than a 19 percent increase over 1983 levels. This year, however, the added expenditure will be only about 8.6 percent.

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The auto makers have used the word "incentive" a great deal this year, but it has tended to mean "price cut" most of the time. Past rebate programs have given way to subsidized consumer financing. The auto firms' consumer premium usage is actually down by 1.8 percent for 1985, although trade incentives moved up 9.5 percent.

The top 10 industry users of incentives this year remain the same as in 1984, with the exception of the last position, which was held by the laggard farm equipment group last year. Two industries with usage a bit above average this year moved ahead of farm equipment, with publishers, printers and broadcasters rising into the 10th slot. Heating and air conditioning also nosed out the tractor makers, dropping them to 12th on the list.

Only one other change occurred this year in the order of industries by volume of incentive expenditure. Housewares and home furnishings, with the smallest growth of all (1.8 percent over last year), dropped below banks and savings and loan, whose lackluster 6.4 percent performance was still better than that of the housewares group.

Trade incentives tend to dominate the growth of promotion spending by a relatively small margin. There are some industries in which the pattern does not apply and consumer premium techniques are showing faster growth. This is true, in fact, in 10 of 32 groups this year.

Trade incentives tend to dominate the growth of promotion spending by a relatively small margin in most industries.

Three fields in which consumer promotion has been moving faster are grocery-related categories: food products; toiletries and cosmetics, and detergents and cleansers. In all of these cases, consumer promotion tends to predominate.

While consumer promotion does not dominate the automotive aftermarket, it has been growing rapidly in a field once top-heavy in trade incentives. In the present estimates, auto parts, tires and accessories shows more increase in consumer programs than in the rest of the field.

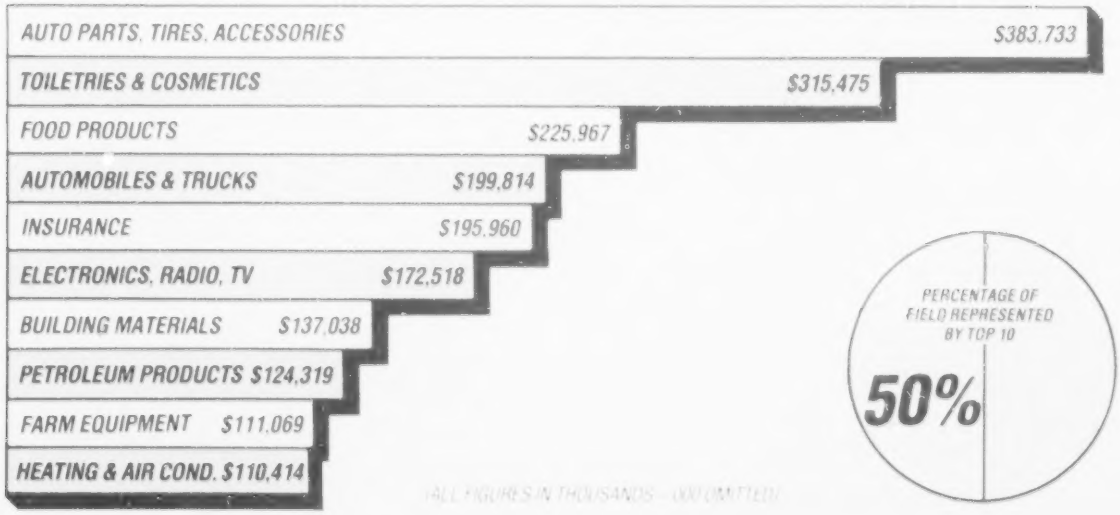
Other industries wooing the consumer a bit more this year than salespeople and dealers include building materials, electric appliances, electrical and lighting equipment, furniture and floor coverings, hardware and sporting goods and toys.

Observers in several industries that are heavy users of consumer premiums have told IM that they believe conditions point toward greater marketing focus on the end customer in the coming year.

If consumer resistance rises in the face of economic slowdown, 1986 incentive activity is likely to include acceleration of consumer promotion, along with continued emphasis on trade incentives. ■

MORE FACTS ON PAGE 48

TOP 10 MERCHANDISE TRADE INCENTIVE USERS (1985)



(ALL FIGURES IN THOUSANDS — 000 OMITTED)

FACTS '85

TOTAL DOLLAR VOLUME OF INCENTIVE USAGE

(ALL FIGURES IN THOUSANDS—000 OMITTED)

1985	$12,770,236,000	1975	$ 4,236,305,000
1984	$11,830,678,000	1974	$ 4,829,964,000
1983	$10,440,117,000	1973	$ 5,023,184,000
1982	$ 9,779,217,000	1972	$ 4,649,653,000
1981	$ 9,361,510,000	1971	$ 4,222,505,000
1980	$ 8,664,251,000	1970	$ 3,793,000,000
1979	$ 7,696,138,000	1969	$ 3,772,000,000
1978	$ 6,719,687,000	1968	$ 3,598,000,000
1977	$ 5,841,575,000	1967	$ 3,218,000,000
1976	$ 5,026,535,000		

Source: IM surveys 1967-1985

Sales Incentives

Estimated growth in sales incentives in 1985 is 9.4%—a fair pace and above the average but not totally in line with history.

Motivating a sales force is the top job of incentives, and one that takes a special priority in an economic recovery. Thus it was not surprising when this part of the field expanded by 19.9 percent—about 50 percent above the overall rate—last year.

What may be surprising is that the push has cooled off as much as it has this year. Estimated growth in sales incentives in 1985 is 9.4 percent—a fair pace and above the average but not totally in line with history.

The scaling back of many budgets as the year wore on also was surprising to many marketing executives, who had told **IM** earlier in the year in a special survey that they were increasing sales force motivation efforts by about 13 percent over 1984.

Sales incentives this year have passed a milestone—going over $3 billion for the first time—to a new total estimate of $3.26 billion. And they have reached a record high share of the total field, 25.6 percent. After many years of holding in the 23 percent range, they moved above 25 percent in 1984 and have gone a bit farther this year in enlarging their place in the total incentive field.

This year's increase is divided between merchandise, at 76 percent of the expenditure, up 9.2 percent to $2.47 billion, and travel, accounting for 24 percent, up 10.1 percent for a total of $796 million.

For several years, travel has been adding to its piece of the sales incentive budget—and now, for the second year, exceeds travel expenditures for dealer promotions. Travel for many years was primarily a dealer motivation tool, and, as recently as 1978, the dealer side used 56 percent of all trip programs.

Only four industries, all among the 10 largest users of sales incentives, increased their usage by significantly more than the average this year. In addition, the miscellaneous industries and wholesalers and distributors also went somewhat ahead—with more than 10.5 percent increases in expenditures over their 1984 budgets. The six relatively big spenders are: building materials, up 11.7 percent; electronics, radio and TV, 10.6 percent; machinery and supplies, 11.2 percent; publishers, printers and broadcasters, 10.8 percent; miscellaneous industries, 10.7 percent, and distributors and wholesalers, 12.6 percent.

Fifteen industries clustered within a narrow range—8- to 10.5-percent increases—and 11 others added less than 8 percent to their expenditures last year.

Among the top ten industries, one, food products, was with that slow-growth group, at a 7.7-percent increase; the other five not in the top-expansion ranks were in the middle ground.

There was only one change of position among the top ten. The electronics group, which dropped from fourth to fifth place last year when it was outspent by automobiles and trucks, moved back up a notch as the auto firms slowed their expansion of incentive usage.

Here is this year's record of movement in the 32 industry groups in the survey:

Apparel	**+ 9.3%**
Auto parts, accessories & tires	**+ 8.1%**
Automobiles & trucks	**+ 8.9%**
Banks and savings & loan	**+ 5.1%**
Beer, ale & soft drinks	**+ 9.6%**
Building materials	**+11.7%**
Detergents & cleansers	**+ 6.9%**
Electric appliances	**+ 6.7%**
Electrical & lighting equipment	**+ 6.7%**
Electronics, radio & TV	**+10.6%**
Farm equipment	**+ 4.6%**
Feed, fertilizer & farm supplies	**+ 5.8%**
Food products	**+ 7.7%**
Furniture & floor coverings	**+ 6.1%**
Hardware	**+ 6.3%**
Heating & air conditioning	**+10.4%**
Housewares & home furnishings	**+ 3.6%**

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Industrial chemicals	+ 9.7%
Insurance	+ 9.4%
Luggage, jewelry & accessories	+ 8.2%
Machinery & supplies	+11.2%
Office equipment	+ 9.7%
Paints & varnishes	+ 9.4%
Paper products & packaging	+10.0%
Petroleum products	+ 8.2%
Pharmaceuticals	+ 8.5%
Public utilities	+ 9.0%
Publishers, printers & broadcasters	+10.8%
Sporting goods & toys	+ 6.0%
Toiletries & cosmetics	+ 8.3%
Distributors & wholesalers	+12.6%
Miscellaneous industries	+10.7%

Sales incentive users made more optimistic predictions in the first half of this year than they could later justify. But they were not without warning: The special surveys showed that results of their campaigns were not holding up in the fashion of 1984. They were anticipating, and already beginning to experience, a somewhat reduced level of sales gains, a lower sales force qualification rate, and a sharp increase in unit costs of incentive travel. Along with those warnings, however, they did have good news at the bottom line: Their cost in relation to incremental sales was better than it had been for a long time.

Following two years in which surveys showed sales gains in the 18- to 19-percent range during sales incentive campaigns, 1984 boosted that figure to 201 percent.

The average cost of a merchandise prize has risen considerably this year.

This year's similar compilation showed an average of just 18 percent.

The lowered yield perhaps reflected a lower participation level. Where 44 percent of eligible salespeople had earned awards last year, the 1985 reports showed that average down to 40 percent—with 47 percent in merchandise incentive programs and only 29 percent in travel campaigns.

The average cost of a merchandise prize this year has risen considerably, apparently because of some unusually big-ticket items—to $315 from the $232 found a year ago. The median cost remains the same—$100.

In travel costs, however, the story is different. The average per winner has risen from $1,662 to $1,826. The median, however, has increased by even more dollars—from $1,200 to $1,500. Only the drop in travel qualification (from 36 percent to 29 percent) would seem to have saved some users from a tough final accounting.

Still, the final arithmetic comes out this year as the most favorable in a number of years. Last year's cost as a percentage of incremental sales gained came to 9 percent, down from several years of higher costs. But the median remained at 7 percent, where it had held for four years. In 1985, however, users reported the average down still farther, to 8 percent, and a drop in the median as well, to only 5 percent.

It is never good to see the sales curve dip, and the drop from over 20 percent in volume gains to 18 percent can be measured in millions of dollars not brought in during incentive campaigns—not brought in, in effect, by the 4 percent of people who did not qualify to keep up with last year's standards.

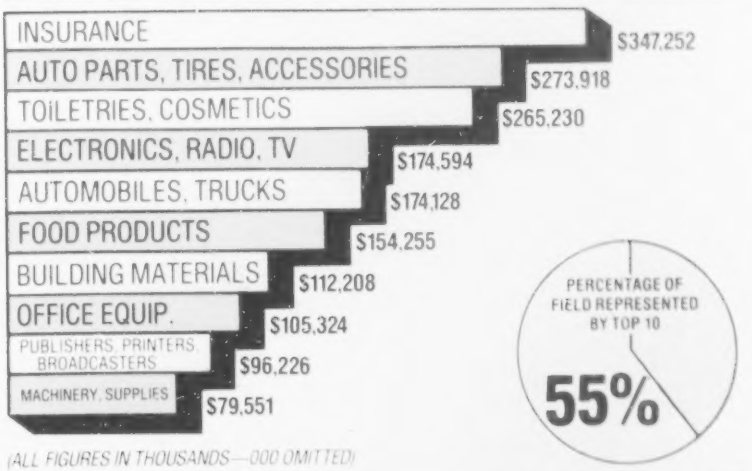
But, while these relative weaknesses represent a bigger change from last year than we might have hoped for, the picture is still a strong one for sales force motivation. The cost of the effort has been rewarding in overall profit measurement.

And the 94-percent dollar expansion this year, despite looking small by comparison with the 1984 growth, represents several percentage points of real growth—above the biggest year sales incentives have ever had.

With that high starting point, the technique can be expected to meet major demands in 1986—demands that will mean reading more mixed economic signals and trying to match each incentive plan to what could be a unique set of market circumstances. ■

MORE FACTS ON PAGE 52

TOP SALES INCENTIVE USERS (1985)



(ALL FIGURES IN THOUSANDS—000 OMITTED)

FACTS '85

Dealer Incentives

The present estimate of growth in dealer incentives is 8.9 percent, down a bit from 1984's 12.2 percent rate.

Dealer incentives are continuing to do an effective sales job for most users this year, although results are not quite up to last year's standards and total volume of incentive purchases is estimated to be growing more slowly.

In 1984, promotions to dealers rose by an estimated 12.2 percent over the previous year's activity, and all the measurements of effectiveness were strong and positive. Since then the pace has slowed a bit, and the present estimate of growth this year is 8.9 percent. That will raise the total expenditure for dealer merchandise and travel awards to $2.3 billion, about 17 percent of all dollars invested in incentives of every type.

Incentive travel is increasing a little faster than merchandise, up to 10.2 percent to $771 million; merchandise volume is advancing 8.3 percent to $1.45 billion.

The rate of increased usage is lower than had been indicated by the respondents in a special IM survey early in the year; they indicated their budgets were an average of 10.4 percent higher this year than in 1984. This appears to be in line with the general dampening of enthusiasm for the economy as the year wore on—and is considerably less of a change of pace than that being shown by the users of sales incentives, where the increased expenditure is only about two-thirds of that earlier forecast.

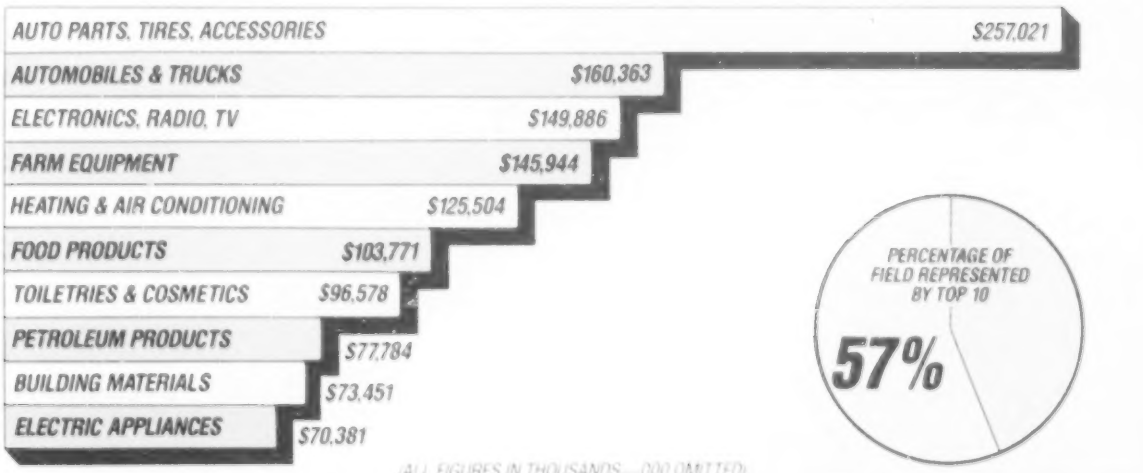
Nine of the 10 largest dealer-incentive-using industries remain the same this year. The exception is the tenth position, where the slow-growing feed, fertilizer and farm supplies group dropped off the top-10 list and was replaced by electric appliances, which upped its spending in this category by 9.3 percent over 1984.

A change in the order of the leaders also occurred, with another agricultural industry, farm equipment, showing only a 5.6 percent rise in usage and falling from third to fourth place.

Ten industries, including five of the top 10, plus the miscellaneous industries category, all increased their dealer incentive expenditures this year above the average rate—by 10 percent or more. Here is how they are estimated to be doing in usage:

Apparel	+11.5%
Automobiles & trucks	+10.2%
Beer, ale & soft drinks	+10.6%
Building materials	+11.0%
Electronics, radio & TV	+10.3%
Heating & air conditioning	+10.5%
Insurance	+10.0%
Pharmaceuticals	+10.5%
Publishers, printers, broadcasters	+10.0%
Toiletries & cosmetics	+10.6%
Miscellaneous industries	+10.5%

TOP 10 DEALER INCENTIVE USERS (1985)



(ALL FIGURES IN THOUSANDS—000 OMITTED)

FACTS '85

Another 15 industry groups held a narrow middle ground between 7.5 percent and 9.9 percent in increased spending this year. The remaining six, falling below the 7.5 percent pace, are farm equipment; feed, fertilizer and farm supplies; hardware; housewares and home furnishings; machinery and supplies, and distributors and wholesalers.

The wholesale users direct their promotions in this category primarily at retailers, but they themselves are also the targets of many more. The term "dealer" covers a broad range of middlemen, from national distributors to mom-and-pop stores. Within the range are wholesalers and jobbers, chain retailers, independent stores of all types, service stations, service contractors, commercial and industrial dealers, insurance brokers, franchisees and many others.

Results in approaching each class of dealer will vary, of course, but the year-to-year average reports by users provide a measure of general effectiveness. In this year's special survey (based on users' reports in February and March), the average report of sales increases achieved with dealer incentives showed improvement over similar reports in 1984—18.7 percent sales gains, compared with 16.9 percent a year earlier. These figures represented estimates based on expected results of budgeted campaigns—and actual figures may have varied somewhat. But the overall picture is a much brighter one than that found this year by sales incentive users, whose results dropped from an average of 20.1 percent last year to 18.0 percent.

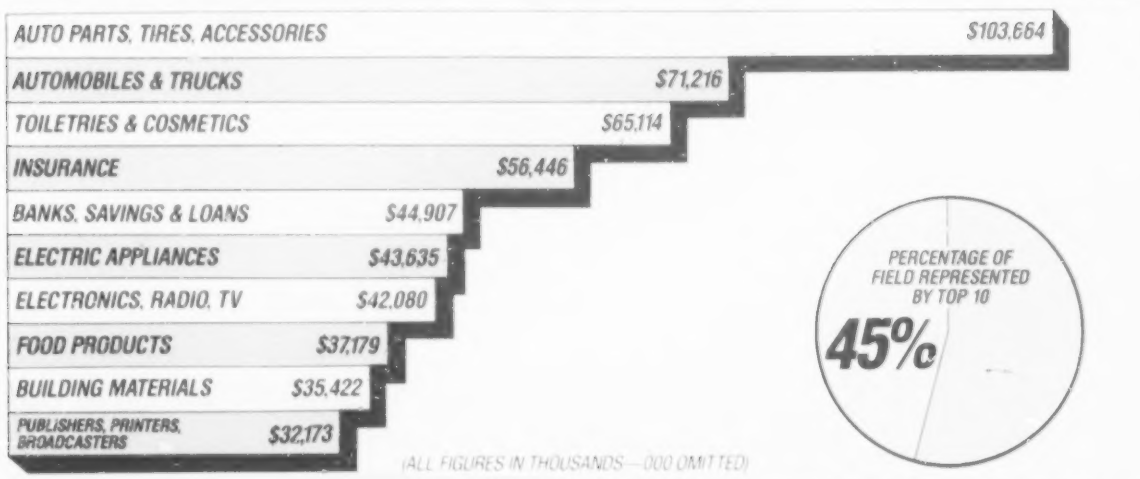
The dealer programs, on average, cost 13% of sales increments gained during a campaign, with the median at 10%.

The sales force motivators also found a decline this year in the level of qualified participants in their programs, and the dealer incentive users have experienced a similar drop in award-winners, from an overall average last year of 55 percent to 52 percent now. Broken down by type of award, the estimates came to 55 percent in merchandising campaigns and 47 percent for travel users.

Dealer incentive programs tend to be more costly than those for salespeople, and that reflects in this year's reports—although the trend in both categories is favorably downward. The dealer programs, on average, cost 13 percent of sales increments gained during a campaign, with the median at 10 percent. The median is the same as it was in 1984, which was one point below the 1983 cost. Users of sales incentives found their cost averaging 8 percent of incremental sales this year—lower than a year ago—with a median of just 5 percent.

Thus, with the sales results slightly lower than a year ago and participation down somewhat, users of both sales and dealer incentives found consolation of a sort in the fact that they had to pay less for what they did achieve.

TOP 10 BUSINESS GIFT USERS (1985)



The reasons for this seeming anomaly in the cost figures are not clear from the survey results. But it seems likely that it is either a function of the lowered participation or of different budget structures—probably some of each, depending upon the individual company's program.

The unit cost of incentive awards did not of itself contribute to lower overall costs. The average merchandise cost rose rather sharply from $125 to $162—although the median stayed at $50. In the case of travel costs, the average actually declined a bit, from $1890 to $1748—but the median, that paid by the company in the middle of the range, jumped from $1200 up to $1500. (The same increase in median travel cost was experienced by the users in sales force programs.)

Even though the increase this year in total estimated dealer incentive spending is lower than originally forecast, it appears that activity has been generally healthy and is still at a level of more real growth than in some years.

And, although individual increases came out a little smaller than had been anticipated, the number of users who enhanced their budgets this year reached a high point—64 percent of those responding in the survey said they were using more this year. ■

Consumer Premiums

Early enthusiasm, with estimates of 15-percent gains, gave way to a final estimate of just 7.4 percent more consumer premium effort this year than in 1984.

Moving ahead—but less than expected. That sums up this year's consumer premium usage, in common with the rest of the field.

The year was only weeks old when a group of surveyed executives told **IM** their 1985 consumer promotion budgets would average about 15 percent more than last year's expenditures. But early enthusiasm gave way to a final estimate of just 7.4 percent more consumer premium effort than in 1984.

Product promotion by manufacturers and distributors ran ahead of the average, with an 8.3 percent increase. Retail promotion was the laggard, up only 6.1 percent—slowed by a decline in trading stamps for the first time since 1975. But non-stamp effort by retailers was strong, up 9.8 percent.

Though all incentive forms this year have advanced less than first forecast, the drop in budgets has been sharpest in the consumer segment. Sales incentives grew 9.4 percent against a 13 percent early estimate; dealer promotion has been up 8.9 percent instead of 10.4 percent. Only on the consumer side has the realization dropped below half the anticipation, according to the final estimates.

Of the two major product-promotion categories, direct premiums fared better—up 9.1 percent—than the mail-in types, which rose by 7.5 percent.

Among mail-ins, the greatest growth has been in sweepstakes, while self-liquidators have been relatively quiet. Free mail-in offers have prospered, largely through heavy use of items with high perceived value but relatively low cost—such as recipe books, calendars, other printed items, records and tapes, dance or exercise lessons, health-club memberships, newspaper subscriptions, fast-food credits and other tie-in or service-oriented premiums.

The direct premium varieties, with their slightly greater acceleration, have come within $25 million of matching the total expenditure for mail-ins—$1,802,056,000 compared with $1,827,436,000 for the still-larger mail-in group. While direct premiums contributed most to the growth this year, their cousins, the factory pack and coupon plan, rose a bit more slowly.

The retail portion of the consumer promotion field was relatively vigorous, except for a 5.8-percent drop in trading stamp usage from last year's estimated $554 million to $522 million. Other retail activity, both by the grocery industry and other sellers, was 9.8 percent ahead of last year.

Retail grocers, because they account for so large a portion of trading stamp usage, showed an overall gain of only 2.9 percent, while other retail industries moved up by 9.7 percent. The grocery volume advanced from a 1984 total estimated at $1.22 billion to $1.26 billion. Other retail fields accounted for $1.21 billion of this year's volume.

The largest percentage change in consumer premiums occurred in the building materials industry, which used a mere $12 million worth of direct premiums last year but reported an increase to $34 million in 1985—to show a consumer premium percentage rise of 17.9 percent.

In contrast, food products manufacturers added more than $66 million to their outlay for consumer promotion—but created only a 7.1 percent ripple over last year's figures.

Besides building materials, two other groups made substantial percentage increases above the average—9.6 percent for both detergents and cleansers and distributors and wholesalers. Seven industries fell below 7 percent in

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their spending increases for consumer premiums, while all others were in the middle range from 7.0 percent to 9.5 percent. Here is how they moved:

Apparel	+ 8.3%
Auto parts, accessories & tires	+ 8.9%
Automobiles & trucks	– 1.8%
Banks and savings & loan	+ 5.9%
Beer, ale & soft drinks	+ 9.4%
Building materials	+74.3%
Detergents & cleansers	+ 9.6%
Electric appliances	+ 8.1%
Electrical & lighting equipment	+ 7.9%
Electronics, radio & TV	+ 8.2%
Farm equipment	+ 6.2%
Feed, fertilizer & farm supplies	+ 6.3%
Food products	+ 7.1%
Furniture & floor coverings	+ 7.7%
Hardware	+ 7.6%
Heating & air conditioning	+ 8.7%
Housewares & home furnishings	– 1.3%
Industrial chemicals	+ 8.4%
Insurance	+ 7.5%
Luggage, jewelry & accessories	+ 8.1%
Machinery & supplies	+ 9.4%
Office equipment	+ 8.2%
Paints & varnishes	+ 6.5%
Paper products & packaging	+ 7.4%
Petroleum products	+ 7.0%
Pharmaceuticals	+ 7.2%
Public utilities	– 1.4%
Publishers, printers & broadcasters	+ 8.0%
Sporting goods & toys	+ 7.8%
Toiletries & cosmetics	+ 8.6%
Distributors & wholesalers	+ 9.6%
Miscellaneous industries	+ 8.0%

The top-10 user industries have not changed this year, but there has been one change in their order. Housewares and home furnishings, one of the three industries showing a decline in consumer promotion this year, dropped from fourth place on the list to seventh, behind detergents and cleansers.

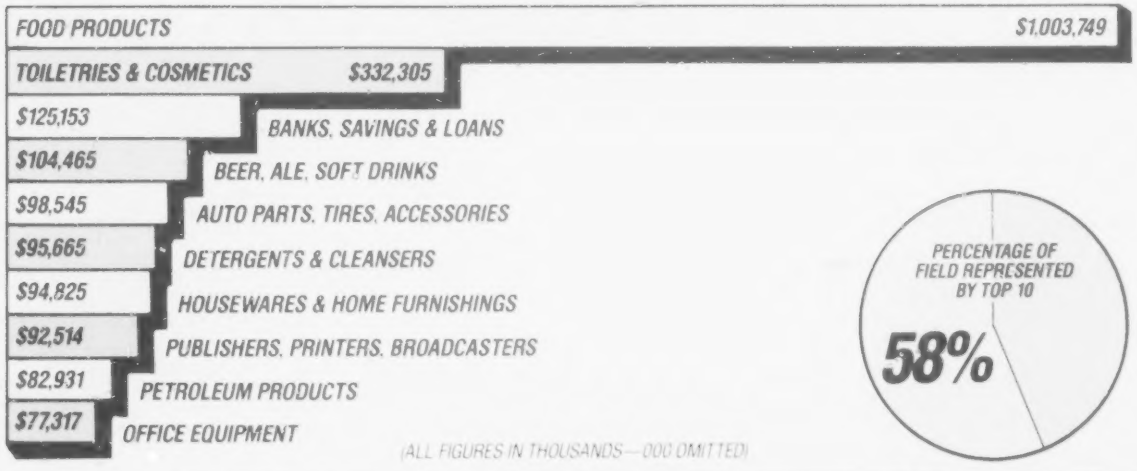
Only one of the top 10, detergents and cleansers, increased its spending significantly above the average. One result is a slight drop in the dominance of this group: Where last year the top 10 accounted for 59 percent of all consumer premium effort, that has slipped to 58 percent in the 1985 estimates.

Food manufacturers are by far the largest users of consumer premiums, and their expenditures passed the $1-billion mark this year for the first time, giving them almost a 28 percent share of the field. Yet their contribution to expansion was small, at 7.1 percent over last year. Their added promotion budgets were greater in direct premiums, up 8.8 percent. But in the category of mail-in promotions where they have been especially aggressive in the past, they increased usage by only 5.8 percent.

In the special **IM** survey earlier this year, users said they were planning an average of 7.3 mail-in offers in 1985—up from a 4.6-offer average, although the median in both cases was 4. It may have been some of those extra promotions planned by a number of marketers that were scrapped in the course of the year, causing the drop below original budgeted expenditures.

The users of direct premiums

TOP 10 CONSUMER PREMIUM USERS (1985)



also had forecast an increase in number of programs, from 5.6 to 6.7; here again it may be assumed that some of the add-on promotional effort did not occur.

September was the popular month this year for launching a consumer promotion, mentioned by 27 percent of executives. With that much activity projected seven months beyond the time of the survey, many of them had the chance to change their minds.

As for sales effectiveness, users' average estimates of retail sales increases were 20.8 percent at the time of the survey, virtually unchanged from the 20.4 percent reported a year earlier. And they reported that both display usage and dealer participation in their promotions improved from last year's record.

Given those early-year signs of health—and at least modest real growth in usage during the year, even though below forecast—the outlook for consumer premiums in the near future remains positive. And the need for their economic stimulus is apparent. ■

Incentive Travel

The estimated total of all incentive travel in 1985 is $1.57 billion, about $144 million more than marketers spent for trips last year.

Travel has been the most aggressive part of the incentive field in 1985 and the only one to eke out a double-digit increase in usage—10.1 percent over last year.

The estimated total of all incentive travel in 1985 is $1.57 billion, about $144 million more than marketers spent for trips last year. The percentage increase for sales incentive and dealer programs is almost the same—10.1 percent to motivate salespeople and 10.2 percent aimed at distributors, wholesalers and retailers.

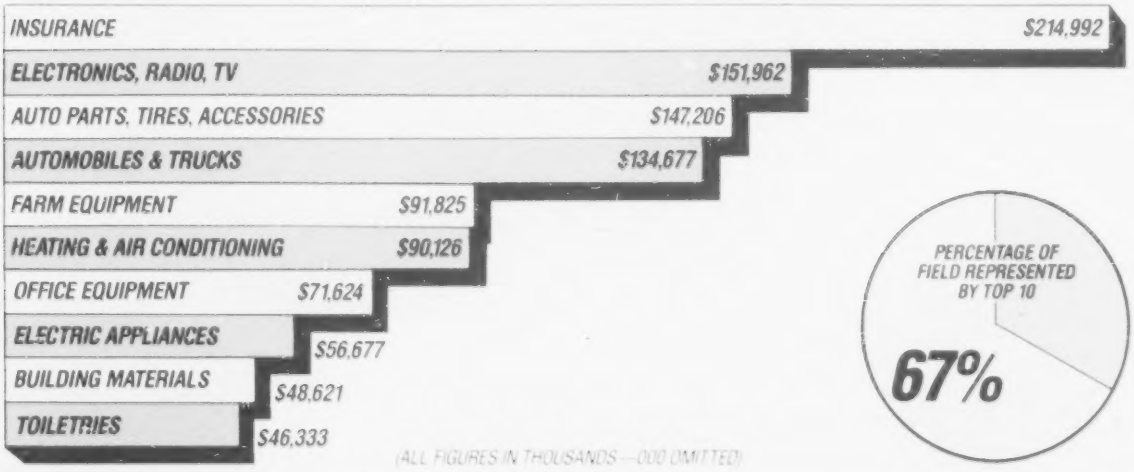
As with other portions of the incentive field this year, a considerable disparity exists between the final estimate and the budget plans reported by a limited number of executives during the first half of the year. At that time, they told **IM** they were planning expenditures 17.3 percent above their 1984 investments in travel programs. That was almost exactly the same as the increase in travel spending last year over 1983.

Earlier in the year, users had good reason to be optimistic about their incentive travel plans and the results they hoped to achieve with them. Sales increases in their campaigns were high, participation levels were good and bottom-line costs reached a new low point.

At that time, users averaged a 21 percent yield in sales volume, up from 17.7 percent achieved by a similar group a year before. The participation level of eligible people showed 31 percent qualifying for trips, the same as the year before and much better than the 24 percent rate of 1983.

In the important measurement of program cost as a percentage of incremental sales, the 1985 survey showed good news for travel pro-

TOP 10 INCENTIVE TRAVEL USERS (1985)



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motion. Following three years of averages ranging from 10.5 percent to 11 percent and a median of 7 percent, this study found a decline in cost to an average of 10.1 percent and the median went down to just 6 percent.

The lion's share of incentive travel is now devoted to sales-force efforts, which this year took 51 percent of the total travel budget. In 1973, only 41 percent went for sales forces, with the rest in dealer promotion, but sales incentive activity has gradually increased in share since that time.

The top-10 user industries this year remain the same as in 1984, except for one change of position among them. The former 10th-ranked user, building materials, increased its spending enough this year to move up to ninth, ahead of toiletries and cosmetics manufacturers.

Those two industries were the largest contributors to growth in travel this year. Toiletries and cosmetics, although losing ground in the rankings, increased its travel activity by 12.4 percent. But building materials made the boldest move and added 21.1 percent to incentive travel budgets for the year. The rest of the top 10 were less aggressive during the year, but this group of major users still maintained its 67 percent share of all incentive travel usage.

The fifth-largest user, farm equipment, showed the smallest percentage growth of the year, only 6.1 percent. Five other industries lagged behind the field with travel expansion below 8 percent this year: feed, fertilizer and farm supplies; hardware; industrial chemicals; petroleum products, and sporting goods and toys.

The following increases in incentive travel usage were reported for all of the tabulated industry groups:

Apparel	**+ 9.4%**
Auto parts, accessories & tires	**+ 8.7%**
Automobiles & trucks	**+10.3%**
Banks and savings & loan	**+ 9.1%**
Beer, ale & soft drinks	**+11.1%**
Building materials	**+21.1%**
Detergents & cleansers	**+ 8.5%**
Electric appliances	**+10.3%**
Electrical & lighting equipment	**+ 8.8%**
Electronics, radio & TV	**+10.5%**
Farm equipment	**+ 6.1%**
Feed, fertilizer & farm supplies	**+ 7.3%**
Food products	**+10.0%**
Furniture & floor coverings	**+ 8.9%**
Hardware	**+ 7.7%**
Heating & air conditioning	**+11.0%**

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INDUSTRY-BY-INDUSTRY ANALYSIS

	EXPENDITURES 1985		EXPENDITURES 1984	
MISCELLANEOUS INDUSTRIES	**$1,434,176,000**	**+8.7%**	**$1,318,866,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$308,417,000	+ 7.7%	$286,414,000	+24.2%
Travel	$ 81,824,000	+ 9.1%	$ 75,020,000	+21.2%
Dealer Merchandise	$220,110,000	+15.8%	$190,026,000	+11.0%
Travel	$ 92,880,000	+10.3%	$ 84,201,000	+10.6%
BUSINESS GIFTS	$190,418,000	+ 4.3%	$182,491,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$257,408,000	+ 7.9%	$238,511,000	+10.9%
Other Premiums	$283,119,000	+ 8.0%	$262,203,000	+10.7%
DISTRIBUTORS & WHOLESALERS	**$1,182,208,000**	**+9.3%**	**$1,081,977,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$348,579,000	+12.8%	$308,992,000	+21.0%
Travel	$ 25,120,000	+10.0%	$ 22,844,000	+24.5%
Dealer Merchandise	$124,918,000	+ 6.0%	$117,821,000	+11.9%
Travel	$ 18,244,000	+11.0%	$ 16,440,000	+13.1%
BUSINESS GIFTS	$203,037,000	+ 4.7%	$193,968,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$269,881,000	+ 8.8%	$248,023,000	+10.3%
Other Premiums	$192,429,000	+10.7%	$173,889,000	+10.9%

	EXPENDITURES 1985		EXPENDITURES 1984	
APPAREL	**$58,686,000**	**+8.7%**	**$53,980,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 12,211,000	+ 10.7%	$ 11,031,000	+18.3%
Travel	$ 3,045,000	+ 4.2%	$ 2,921,000	+22.2%
Dealer Merchandise	$ 8,084,000	+ 9.5%	$ 7,380,000	+10.6%
Travel	$ 310,000	+137.9%	$ 145,000	+ 8.2%
BUSINESS GIFTS	$ 9,781,000	+ 6.5%	$ 9,182,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 10,988,000	+ 6.5%	$ 10,315,000	+12.7%
Other Premiums	$ 14,267,000	+ 9.7%	$ 13,006,000	+13.0%
AUTO PARTS, TIRES, ACCESSORIES	**$733,148,000**	**+7.6%**	**$681,093,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$190,522,000	+ 8.1%	$176,280,000	+20.3%
Travel	$ 83,396,000	+ 8.1%	$ 77,114,000	+24.9%
Dealer Merchandise	$193,211,000	+ 7.2%	$180,216,000	+18.5%
Travel	$ 63,810,000	+ 9.4%	$ 58,323,000	+21.4%
BUSINESS GIFTS	$103,664,000	+ 5.0%	$ 98,706,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 69,928,000	+ 9.2%	$ 64,028,000	+10.4%
Other Premiums	$ 28,617,000	+ 8.3%	$ 26,426,000	+23.5%
AUTOMOBILES & TRUCKS	**$411,165,000**	**+8.6%**	**$378,635,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$146,808,000	+ 8.7%	$135,026,000	+20.2%
Travel	$ 27,320,000	+ 10.1%	$ 24,821,000	+29.2%
Dealer Merchandise	$ 53,006,000	+ 9.9%	$ 48,210,000	+ 9.6%
Travel	$107,357,000	+ 10.3%	$ 97,304,000	+21.3%
BUSINESS GIFTS	$ 71,216,000	+ 5.2%	$ 67,717,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 2,582,000	- 6.3%	$ 2,755,000	+10.6%
Other Premiums	$ 2,876,000	+ 2.6%	$ 2,802,000	+16.2%
BANKS, SAVINGS & LOANS	**$208,510,000**	**+6.4%**	**$195,960,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 32,880,000	+ 5.0%	$ 31,306,000	+ 5.0%
Travel	$ 2,491,000	+ 5.6%	$ 2,360,000	+11.3%
Dealer Merchandise	$ 2,667,000	+ 6.3%	$ 2,510,000	+ 9.5%
Travel	$ 412,000	+ 36.9%	$ 301,000	+ 7.1%
BUSINESS GIFTS	$ 44,907,000	+ 8.7%	$ 41,319,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 26,010,000	+ 6.0%	$ 24,531,000	+ 7.4%
Other Premiums	$ 99,143,000	+ 5.9%	$ 93,633,000	+ 7.5%
BEER, ALE, SOFT DRINKS	**$195,585,000**	**+9.7%**	**$178,355,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 43,920,000	+ 9.2%	$ 40,211,000	+21.2%
Travel	$ 11,319,000	+ 10.9%	$ 10,210,000	+18.3%
Dealer Merchandise	$ 21,074,000	+ 10.3%	$ 19,103,000	+11.0%
Travel	$ 4,882,000	+ 11.7%	$ 4,372,000	+12.1%
BUSINESS GIFTS	$ 9,925,000	+ 10.8%	$ 8,958,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 60,814,000	+ 8.4%	$ 56,121,000	+12.0%
Other Premiums	$ 43,651,000	+ 10.8%	$ 39,380,000	+12.5%

	EXPENDITURES 1985		EXPENDITURES 1984	
BUILDING MATERIALS	**$276,248,000**	**+19.3%**	**$231,551,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 86,120,000	+ 9.3%	$ 78,820,000	+12.3%
Travel	$ 26,088,000	+ 20.7%	$ 21,611,000	+ 8.0%
Dealer Merchandise	$ 50,918,000	+ 6.9%	$ 47,643,000	+ 3.7%
Travel	$ 22,533,000	+ 21.6%	$ 18,535,000	+ 4.9%
BUSINESS GIFTS	$ 35,422,000	+ 6.4%	$ 33,284,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 21,046,000	+ 8.2%	$ 19,444,000	+ 6.8%
Other Premiums	$ 34,121,000	+179.4%	$ 12,214,000	+12.7%
DETERGENTS & CLEANSERS	**$193,000,000**	**+8.4%**	**$177,977,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 60,717,000	+ 6.9%	$ 56,805,000	+19.8%
Travel	$ 2,750,000	+ 8.2%	$ 2,542,000	+16.6%
Dealer Merchandise	$ 26,173,000	+ 8.9%	$ 24,040,000	+ 9.5%
Travel	$ 504,000	+ 10.3%	$ 457,000	+10.4%
BUSINESS GIFTS	$ 7,191,000	+ 4.4%	$ 6,886,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 61,640,000	+ 9.8%	$ 56,126,000	+12.1%
Other Premiums	$ 34,025,000	+ 9.3%	$ 31,121,000	+10.7%
ELECTRIC APPLIANCES	**$180,953,000**	**+7.7%**	**$168,031,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 25,088,000	+ 5.3%	$ 23,823,000	+17.3%
Travel	$ 11,617,000	+ 10.6%	$ 10,508,000	+18.6%
Dealer Merchandise	$ 25,321,000	+ 7.6%	$ 23,527,000	+10.3%
Travel	$ 45,060,000	+ 10.2%	$ 40,881,000	+13.3%
BUSINESS GIFTS	$ 43,635,000	+ 5.6%	$ 41,319,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 17,108,000	+ 7.6%	$ 15,903,000	+12.7%
Other Premiums	$ 13,124,000	+ 8.7%	$ 12,070,000	+11.1%
ELECTRICAL & LIGHTING EQUIP.	**$109,456,000**	**+6.8%**	**$102,518,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 17,234,000	+ 7.0%	$ 16,102,000	+16.5%
Travel	$ 8,411,000	+ 6.1%	$ 7,931,000	+23.4%
Dealer Merchandise	$ 33,081,000	+ 7.1%	$ 30,882,000	+10.7%
Travel	$ 11,214,000	+ 11.0%	$ 10,103,000	+12.3%
BUSINESS GIFTS	$ 25,111,000	+ 4.2%	$ 24,103,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 6,425,000	+ 6.8%	$ 6,014,000	+ 9.7%
Other Premiums	$ 7,980,000	+ 8.1%	$ 7,383,000	+11.8%
ELECTRONICS, RADIO, TV	**$407,861,000**	**+9.6%**	**$372,104,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$128,630,000	+ 10.8%	$116,128,000	+11.6%
Travel	$ 45,964,000	+ 10.0%	$ 41,803,000	+19.0%
Dealer Merchandise	$ 43,888,000	+ 9.5%	$ 40,092,000	+ 7.5%
Travel	$105,998,000	+ 10.7%	$ 95,750,000	+15.3%
BUSINESS GIFTS	$ 42,080,000	+ 4.8%	$ 40,171,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 15,967,000	+ 8.8%	$ 14,681,000	+13.0%
Other Premiums	$ 25,334,000	+ 7.9%	$ 23,479,000	+12.2%

	EXPENDITURES 1985		EXPENDITURES 1984	
FARM EQUIPMENT	**$230,492,000**	**+5.5%**	**$218,466,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 28,944,000	+ 3.3%	$ 28,021,000	+12.3%
Travel	$ 28,006,000	+ 6.0%	$ 26,410,000	+19.9%
Dealer Merchandise	$ 82,125,000	+ 5.2%	$ 78,083,000	+ 9.4%
Travel	$ 63,819,000	+ 6.2%	$ 60,102,000	+ 9.5%
BUSINESS GIFTS	$ 15,994,000	+ 7.2%	$ 14,921,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,520,000	+ 6.0%	$ 5,208,000	+10.0%
Other Premiums	$ 6,084,000	+ 6.3%	$ 5,721,000	+10.1%
FEED, FERTILIZER, SUPPLIES	**$200,107,000**	**+6.2%**	**$188,353,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 31,694,000	+ 6.7%	$ 29,842,000	+15.1%
Travel	$ 13,217,000	+ 4.8%	$ 12,611,000	+19.5%
Dealer Merchandise	$ 48,116,000	+ 5.9%	$ 45,417,000	+10.7%
Travel	$ 21,123,000	+ 8.9%	$ 19,404,000	+ 9.7%
BUSINESS GIFTS	$ 14,430,000	+ 4.8%	$ 13,773,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 17,418,000	+ 6.8%	$ 16,313,000	+12.1%
Other Premiums	$ 54,109,000	+ 6.1%	$ 50,993,000	+10.9%
FOOD PRODUCTS	**$1,298,954,000**	**+7.2%**	**$1,212,003,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$130,211,000	+ 7.3%	$121,322,000	+24.9%
Travel	$ 24,044,000	+ 9.9%	$ 21,870,000	+26.2%
Dealer Merchandise	$ 95,756,000	+ 7.9%	$ 88,724,000	+12.2%
Travel	$ 8,015,000	+10.0%	$ 7,283,000	+13.3%
BUSINESS GIFTS	$ 37,179,000	+ 4.5%	$ 35,580,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$551,127,000	+ 5.8%	$521,116,000	+12.9%
Other Premiums	$452,622,000	+ 8.8%	$416,108,000	+11.4%
FURNITURE & FLOOR COVERINGS	**$88,010,000**	**+7.1%**	**$82,141,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 14,121,000	+ 5.8%	$ 13,342,000	+19.9%
Travel	$ 4,182,000	+ 7.1%	$ 3,903,000	+21.8%
Dealer Merchandise	$ 33,321,000	+ 7.1%	$ 31,112,000	+10.6%
Travel	$ 17,857,000	+ 9.4%	$ 16,329,000	+11.8%
BUSINESS GIFTS	$ 6,886,000	+ 3.8%	$ 6,631,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 7,009,000	+ 7.1%	$ 6,544,000	+11.1%
Other Premiums	$ 4,634,000	+ 8.5%	$ 4,271,000	+ 9.7%
HARDWARE	**$33,626,000**	**+6.6%**	**$31,550,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 8,632,000	+ 6.5%	$ 8,108,000	+22.2%
Travel	$ 2,227,000	+ 5.4%	$ 2,112,000	+22.5%
Dealer Merchandise	$ 9,093,000	+ 5.6%	$ 8,609,000	+10.1%
Travel	$ 861,000	+14.0%	$ 755,000	+10.5%
BUSINESS GIFTS	$ 2,411,000	+ 5.1%	$ 2,295,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,692,000	+ 7.8%	$ 5,282,000	+10.5%
Other Premiums	$ 4,710,000	+ 7.3%	$ 4,389,000	+11.3%

	EXPENDITURES 1985		EXPENDITURES 1984	
HEATING & AIR CONDITIONING	**$234,943,000**	**+9.9%**	**$213,693,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 31,924,000	+ 9.6%	$ 29,131,000	+21.0%
Travel	$ 43,112,000	+11.1%	$ 38,808,000	+21.4%
Dealer Merchandise	$ 78,490,000	+10.3%	$ 71,132,000	+10.7%
Travel	$ 47,014,000	+10.8%	$ 42,423,000	+ 9.8%
BUSINESS GIFTS	$ 18,120,000	+ 5.3%	$ 17,214,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,865,000	+ 9.0%	$ 5,381,000	+11.6%
Other Premiums	$ 10,418,000	+ 8.5%	$ 9,602,000	+11.0%
HOUSEWARES, HOME FURNISHINGS	**$203,144,000**	**+1.8%**	**$199,616,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 48,132,000	+ 2.8%	$ 46,821,000	+19.7%
Travel	$ 9,283,000	+ 7.9%	$ 8,602,000	+22.6%
Dealer Merchandise	$ 24,995,000	+ 6.4%	$ 23,501,000	+10.2%
Travel	$ 6,788,000	+ 9.8%	$ 6,183,000	+10.9%
BUSINESS GIFTS	$ 19,121,000	+ 4.1%	$ 18,364,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 6,211,000	+ 8.1%	$ 5,744,000	+12.1%
Other Premiums	$ 88,614,000	- 2.0%	$ 90,401,000	+13.0%
INDUSTRIAL CHEMICALS	**$98,533,000**	**+8.2%**	**$91,056,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 15,940,000	+ 9.9%	$ 14,505,000	+19.0%
Travel	$ 6,121,000	+ 9.1%	$ 5,610,000	+24.2%
Dealer Merchandise	$ 31,887,000	+ 9.5%	$ 29,113,000	+11.7%
Travel	$ 6,984,000	+ 5.3%	$ 6,633,000	+14.0%
BUSINESS GIFTS	$ 18,120,000	+ 5.2%	$ 17,218,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 4,393,000	+ 5.7%	$ 4,157,000	+15.3%
Other Premiums	$ 15,088,000	+ 9.2%	$ 13,822,000	+11.8%
INSURANCE	**$540,394,000**	**+8.7%**	**$497,151,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$184,271,000	+ 7.6%	$171,224,000	+20.5%
Travel	$162,981,000	+11.5%	$146,140,000	+21.3%
Dealer Merchandise	$ 11,689,000	+ 8.1%	$ 10,818,000	+11.1%
Travel	$ 52,011,000	+10.4%	$ 47,103,000	+14.3%
BUSINESS GIFTS	$ 56,446,000	+ 4.6%	$ 53,944,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 65,108,000	+ 7.2%	$ 60,712,000	+12.5%
Other Premiums	$ 7,888,000	+ 9.4%	$ 7,210,000	+ 9.7%
LUGGAGE, JEWELRY, ACCESSORIES	**$24,532,000**	**+8.4%**	**$22,629,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 7,840,000	+ 7.4%	$ 7,302,000	+25.5%
Travel	$ 2,592,000	+10.7%	$ 2,341,000	+15.9%
Dealer Merchandise	$ 4,533,000	+ 9.4%	$ 4,142,000	+10.0%
Travel	$ 625,000	+11.2%	$ 562,000	+11.5%
BUSINESS GIFTS	$ 1,228,000	+ 7.0%	$ 1,148,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 5,220,000	+ 9.0%	$ 4,791,000	+11.6%
Other Premiums	$ 2,494,000	+ 6.4%	$ 2,343,000	+11.2%

	EXPENDITURES 1985		EXPENDITURES 1984	
MACHINERY & SUPPLIES	**$124,189,000**	**+9.5%**	**$113,437,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 53,817,000	+11.4%	$ 48,311,000	+20.0%
Travel	$ 25,734,000	+10.8%	$ 23,228,000	+21.5%
Dealer Merchandise	$ 6,519,000	+ 7.9%	$ 6,044,000	+11.1%
Travel	$ 7,024,000	+ 3.3%	$ 6,799,000	+10.7%
BUSINESS GIFTS	$ 20,215,000	+ 5.8%	$ 19,102,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 6,191,000	+ 8.2%	$ 5,721,000	+10.8%
Other Premiums	$ 4,689,000	+11.1%	$ 4,222,000	+10.8%
OFFICE EQUIPMENT	**$249,129,000**	**+8.9%**	**$228,864,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 49,108,000	+ 9.1%	$ 45,021,000	+20.1%
Travel	$ 56,216,000	+10.2%	$ 51,004,000	+21.5%
Dealer Merchandise	$ 24,196,000	+ 8.9%	$ 22,211,000	+10.9%
Travel	$ 15,408,000	+10.5%	$ 13,946,000	+10.9%
BUSINESS GIFTS	$ 26,883,000	+ 6.5%	$ 25,250,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 11,003,000	+ 7.8%	$ 10,208,000	+13.2%
Other Premiums	$ 66,314,000	+ 8.3%	$ 61,224,000	+13.1%
PAINTS & VARNISHES	**$54,161,000**	**+8.2%**	**$ 50,053,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 13,222,000	+ 9.1%	$ 12,121,000	+20.1%
Travel	$ 4,208,000	+10.4%	$ 3,812,000	+21.5%
Dealer Merchandise	$ 9,096,000	+ 9.2%	$ 8,333,000	+ 9.8%
Travel	$ 9,021,000	+ 9.8%	$ 8,216,000	+11.3%
BUSINESS GIFTS	$ 2,112,000	+ 1.4%	$ 2,083,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 11,412,000	+ 5.6%	$ 10,804,000	+12.0%
Other Premiums	$ 5,090,000	+ 8.7%	$ 4,684,000	+11.7%
PAPER PRODUCTS & PACKAGING	**$74,306,000**	**+8.0%**	**$68,813,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 9,485,000	+ 9.7%	$ 8,645,000	+22.8%
Travel	$ 9,290,000	+10.3%	$ 8,421,000	+20.8%
Dealer Merchandise	$ 9,608,000	+ 7.9%	$ 8,904,000	+10.7%
Travel	$ 4,398,000	+10.5%	$ 3,981,000	+12.9%
BUSINESS GIFTS	$ 10,884,000	+ 5.4%	$ 10,330,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 17,001,000	+ 7.5%	$ 15,808,000	+11.1%
Other Premiums	$ 13,640,000	+ 7.2%	$ 12,724,000	+11.4%
PETROLEUM PRODUCTS	**$238,304,000**	**+7.7%**	**$221,219,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 55,412,000	+ 8.4%	$ 51,112,000	+18.2%
Travel	$ 8,841,000	+ 6.8%	$ 8,281,000	+19.6%
Dealer Merchandise	$ 68,907,000	+ 8.5%	$ 63,504,000	+10.5%
Travel	$ 8,877,000	+ 7.9%	$ 8,225,000	+10.8%
BUSINESS GIFTS	$ 13,336,000	+ 5.6%	$ 12,625,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 32,717,000	+ 6.2%	$ 30,801,000	+13.9%
Other Premiums	$ 50,214,000	+ 7.6%	$ 46,671,000	+11.3%

	EXPENDITURES 1985		EXPENDITURES 1984	
PHARMACEUTICALS	**$153,159,000**	**+8.1%**	**$141,638,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 46,217,000	+ 8.1%	$ 42,762,000	+19.3%
Travel	$ 12,231,000	+10.0%	$ 11,120,000	+18.0%
Dealer Merchandise	$ 19,459,000	+11.5%	$ 17,455,000	+10.4%
Travel	$ 7,084,000	+ 8.1%	$ 6,555,000	+10.9%
BUSINESS GIFTS	$ 27,814,000	+ 6.5%	$ 26,111,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 18,232,000	+ 7.1%	$ 17,021,000	+11.8%
Other Premiums	$ 22,122,000	+ 7.3%	$ 20,614,000	+ 9.1%
PUBLIC UTILITIES	**$22,738,000**	**+3.8%**	**$21,903,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 5,481,000	+ 9.3%	$ 5,013,000	+19.8%
Travel	$ 2,798,000	+ 8.4%	$ 2,581,000	+27.5%
Dealer Merchandise	$ 2,744,000	+ 8.8%	$ 2,522,000	+ 8.8%
Travel	$ 322,000	+11.8%	$ 288,000	+11.1%
BUSINESS GIFTS	$ 2,208,000	+ 1.0%	$ 2,187,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 4,604,000	- 4.3%	$ 4,810,000	+11.8%
Other Premiums	$ 4,581,000	+ 1.8%	$ 4,502,000	+11.2%
PUBLISHERS & BROADCASTERS	**$236,136,000**	**+8.7%**	**$217,292,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 84,215,000	+10.8%	$ 76,030,000	+11.7%
Travel	$ 12,011,000	+11.1%	$ 10,812,000	+18.0%
Dealer Merchandise	$ 10,411,000	+10.3%	$ 9,436,000	+ 6.7%
Travel	$ 4,812,000	+ 9.3%	$ 4,402,000	+ 7.6%
BUSINESS GIFTS	$ 32,173,000	+ 3.8%	$ 30,989,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 62,086,000	+ 8.8%	$ 57,073,000	+ 9.7%
Other Premiums	$ 30,428,000	+ 6.6%	$ 28,550,000	+10.5%
SPORTING GOODS & TOYS	**$46,657,000**	**+7.1%**	**$43,564,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$ 7,602,000	+ 4.8%	$ 7,252,000	+10.7%
Travel	$ 5,616,000	+ 7.6%	$ 5,221,000	+10.5%
Dealer Merchandise	$ 8,621,000	+ 7.3%	$ 8,036,000	+ 9.2%
Travel	$ 4,221,000	+ 8.3%	$ 3,899,000	+10.6%
BUSINESS GIFTS	$ 2,441,000	+ 5.4%	$ 2,317,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$ 8,944,000	+ 8.6%	$ 8,237,000	+10.0%
Other Premiums	$ 9,212,000	+ 7.1%	$ 8,602,000	+10.0%
TOILETRIES & COSMETICS	**$759,227,000**	**+8.4%**	**$700,200,000**	
TRADE INCENTIVES				
Sales Force Merchandise	$230,820,000	+ 7.9%	$214,011,000	+20.1%
Travel	$ 34,410,000	+11.3%	$ 30,914,000	+21.6%
Dealer Merchandise	$ 84,655,000	+ 9.9%	$ 77,021,000	+10.9%
Travel	$ 11,923,000	+15.6%	$ 10,316,000	+12.2%
BUSINESS GIFTS	$ 65,114,000	+ 5.1%	$ 61,978,000	—
CONSUMER PREMIUMS				
Mail-In Promotions	$161,886,000	+ 9.3%	$148,127,000	+10.6%
Other Premiums	$170,419,000	+ 8.0%	$157,833,000	+11.0%

FACTS '85

CONTINUED FROM PAGE 62

Housewares & home furnishings	+ 8.7%
Industrial chemicals	+ 7.0%
Insurance	+11.3%
Luggage, jewelry & accessories	+10.8%
Machinery & supplies	+ 9.1%
Office equipment	+10.3%
Paints & varnishes	+10.0%
Paper products & packaging	+10.4%
Petroleum products	+ 7.2%
Pharmaceuticals	+ 9.3%
Public utilities	+ 8.7%
Publishers, printers & broadcasters	+10.6%
Sporting goods & toys	+ 7.9%
Toiletries & cosmetics	+12.4%
Distributors & wholesalers	+10.4%
Miscellaneous industries	+ 9.7%

The overall increase of more than 10 percent in incentive travel expenditures this year suggests this is still the healthiest part of the field, despite some backing off from earlier rosy budgets. And the maintenance of sales gains above 20 percent in the first half of the year—running well ahead of last year's results—should keep usage at a high level, perhaps growing more if the economy permits.

In travel campaigns, dollar volume is most often the primary objective because of the length of both planning and selling periods, making it difficult to pinpoint more specific marketing goals. In this year's survey, 77 percent of executives listed volume gains as their primary objective—somewhat higher than is found for other promotions. And the second favorite objective, a special province of travel programs, increasing morale and good will, was cited by 48 percent. The harder the sell, the more important sales-force morale and dealer good are—and their contribution to sales volume is apparent.

Other goals are important, but less dominant: Introducing new products (38 percent) and moving a full line or slow items (24 percent) are the principal runners-up, and both can contribute much to achieving sales volume targets. And for many marketers, incentive travel is clearly the way to make it happen. ■

AUTOMATED PROMOTIONS

CONTINUED FROM PAGE 86

Dubbed the Triple Treasure Hunt, the promotion gave away cash prizes of $5 to $100 via rub-off cards that customers obtained by trading in ATM receipts. Each non-winner was entered in a drawing for a $100 savings account at each branch. And heavy users who were able to spell AVAIL from letters printed on another part of the card were able to enter a drawing for a Caribbean cruise.

"This was a small-budget promotion," said Wallace. "We only spent about $30,000 on it. The results are difficult to quantify, but I would say that we increased our ATM use by other bank customers by about 40 percent."

The long-range implications of the success or failure of ATM's are significant, according to Weber, Hall, Sale and Associates' Anderson. "The banking industry is moving further and further into POS," he said. "But, before they can make that happen, banks have to get people interested in using ATM's. If people won't use ATM's, then they will not accept POS terminals which use the same technology." ■

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DEATH VALLEY

CONTINUED FROM PAGE 108

saloon doors and a smoke-shop Indian. As a final touch, crystal Victorian chandeliers were hung from a wire strung across the space once occupied by a ceiling.

As the sun sank into the desert, the guests arrived to the music of a full orchestra. A five-course dinner followed, then dancing into the night. Later, a fireworks show exploded outside, with the revelers viewing the pyrotechnics through the open-air ceiling.

According to Tinley, this once-in-a-lifetime trip presented several fears and obstacles prior to execution. "The client felt he was taking an extremely large risk because these people were used to staying at the finest resorts in the world. For us, this trip was an overwhelming task because we were put out there in the desert, and we had to create. Plus, the people in the area weren't used to putting together something of that size and caliber. Add to that the fact that all materials were brought in from Las Vegas, San Diego and Los Angeles."

A Las Vegas western store flew in some 400 items—Stetson hats, cowboy boots, shirts, dresses and boots—to ensure that everybody's tastes were suited fully.

Reportedly deemed a resounding success by the electronics firm's incentive planner, the Death Valley journey presents one final problem: How will he top it next year?

"That's his problem right now," Tinley suggests, though acknowledging that "soon it will be time for me to put on my thinking cap and consider it too." ■

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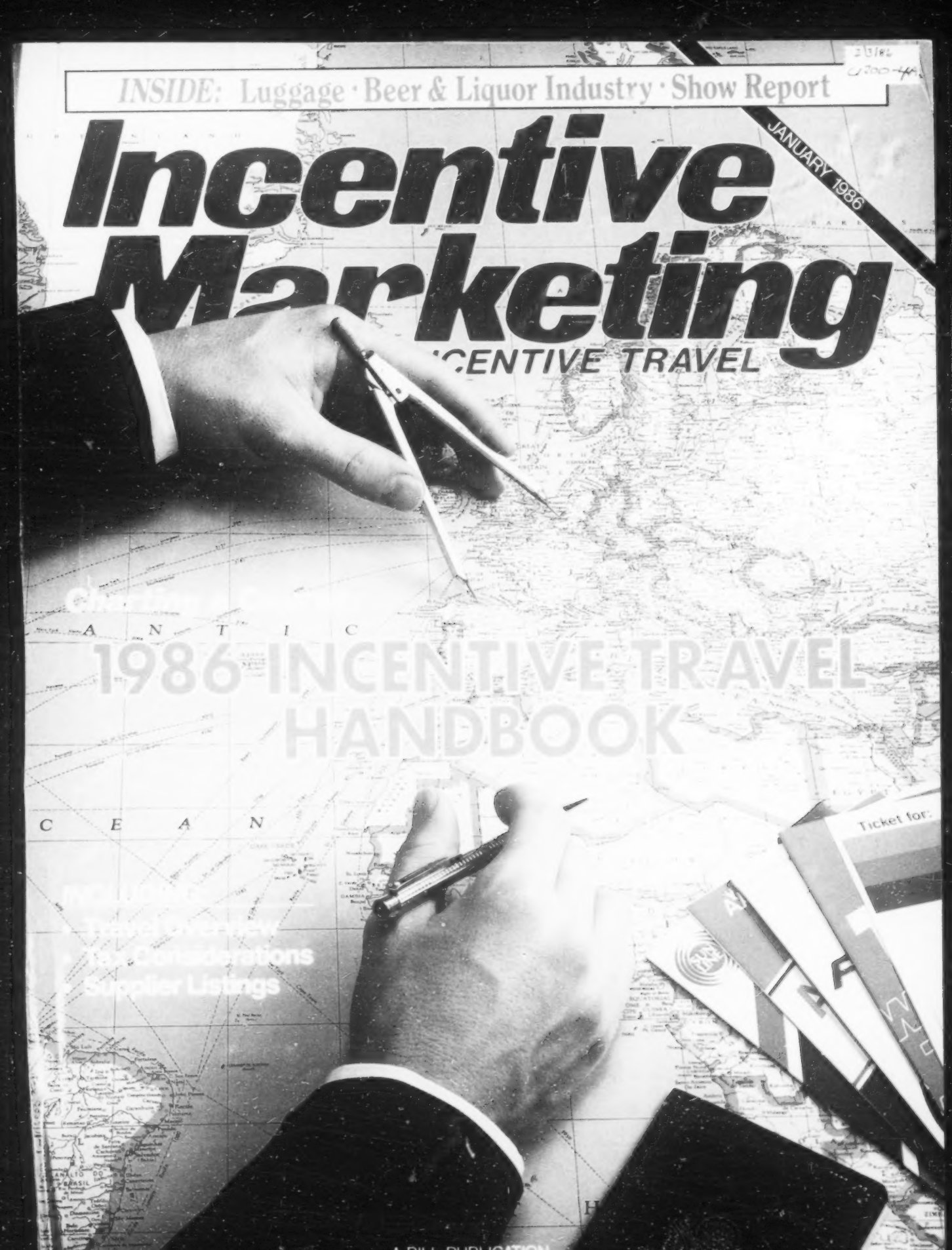
INSIDE: Luggage · Beer & Liquor Industry · Show Report

Incentive Marketing

JANUARY 1986

INCENTIVE TRAVEL



1986 INCENTIVE TRAVEL HANDBOOK

Ticket for:

A BILL PUBLICATION

PRODUCT FOCUS: Luggage

January 1986

82nd Year, Vol. 160
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Cover Photo
Fred Slavin

Luggage has become a fashion accessory. See page 28.

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- As competition heightens, banks turn to teller training and incentive programs in efforts to provide top-notch customer service.
- Violence in South Africa takes its toll on tourism, while two governments debate the safety issue.
- Using motion pictures for product exposure and tie-in promotions can be a smart investment if approached cautiously, according to a PMAA law seminar.

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Incentive Travel Overview

Travel award spending rose 10.1% last year to $1.57 billion; no incentive category showed faster growth.

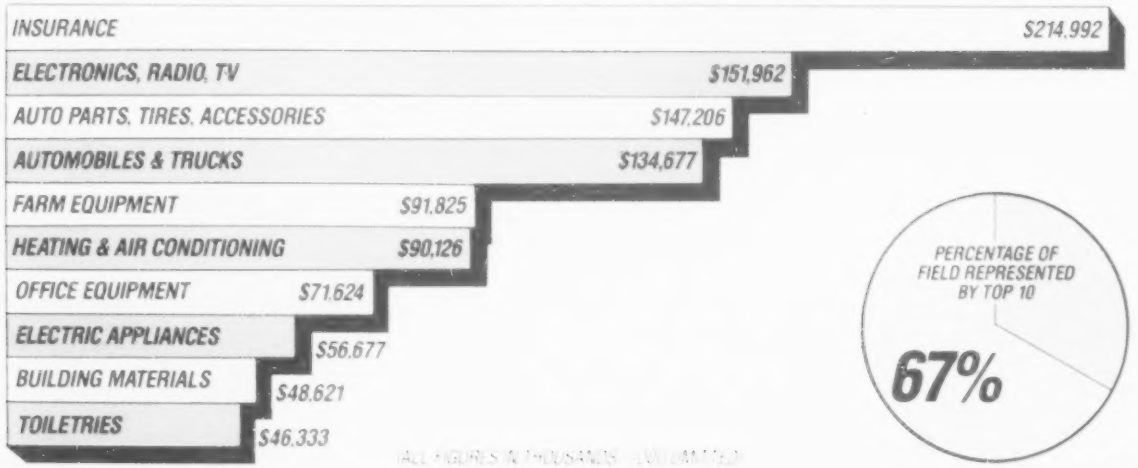
Growth in incentive travel spending continues to outpace other award categories, according to the 1985 **FACTS** survey published late last year. Travel award spending rose 10.1 percent last year to $1.57 billion from $1.42 billion the year before. No incentive category showed faster growth.

Back in the 1960's, when **Incentive Marketing** first began to survey incentive travel usage, it was no surprise to see this category grow by leaps and bounds. After all, any new field starting from a narrow base will rack up impressive gains at the outset. Now that travel has firmly established itself as a major award category, its rapid growth rate is even more impressive.

The continued expansion can be attributed, it appears, to: the success of travel in helping to produce sales gains; the increasingly elaborate nature of the programs; the application of travel awards to new categories of qualifiers from blue-collar workers to non-sales white-collar personnel, and the increased willingness of some users to sample faraway destinations.

Incentive travel buyers last year reported an all-time high in sales increases generated during incentive travel promotions, with the average gain at over 20 percent. At

TOP 10 INCENTIVE TRAVEL USERS (1985)



Companies seem more willing to experiment with far-flung locations.

the same time, the average cost of the trip—expressed in percent of incremental sales—dipped to 10 percent, with the median falling to 6 percent from 7 percent.

How elaborate the average program has become can be seen in the average cost per person, which rose 8 percent last year to $1,421 from $1,313 the year before. The median cost last year was $1,200, about the same as the prior year. In 1985, the number of respondents who said they spend more than $2,400 per person rose to 15 percent from 12 percent the year before. The percentage of respondents spending more than $1,600 per person rose to 29 percent from 26 percent. Over 90 percent of respondents said they invite spouses or guests.

Group size also is a factor in the growth of incentive travel spending. Last year's survey indicated that the average group size has grown to 148 people from 124 in 1984 and 113 in 1983.

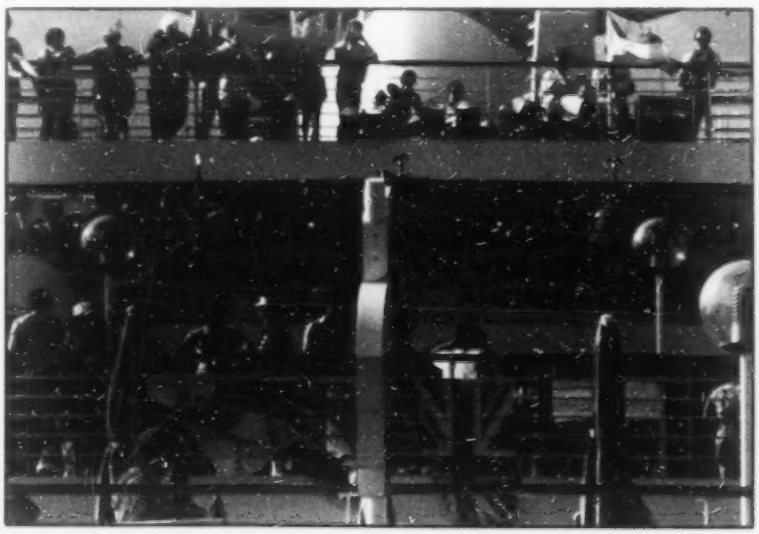
Sales and dealer programs remain predominant in the incentive travel scene, but there seems to be an increasing shift to additional job categories. In last year's survey, company sales forces were the primary target of 78 percent of the programs. Others listed were: retail salespeople, 16 percent; distributor sales personnel, 13 percent; direct selling people, 16 percent, and independent sales reps, 22 percent. Retailers were the target of 31 percent of users' promotions, and 21 percent were aimed at distributors. Non-selling personnel were offered travel by 12 percent of respondents. (Total exceeds 100 percent because many companies run more than one travel campaign.)

In terms of expenditures, travel for sales personnel exceeded such awards for dealer personnel for the first time last year, with $723 million spent to motivate salespeople and $700 million for dealers.

Although domestic sites seem to be in increasing favor—64 percent of respondents last year said they held domestic trips while 36 percent used foreign destinations—companies seem more willing to experiment with far-flung locations. For instance, the number of respondents last year who said they had sent their winners to the Far East nearly doubled over the previous year.

Other noteworthy trends which turned up in the 1985 study were:

- **More favor individual travel.** Only 54 percent of respondents last year favored group trips, with the remainder preferring individual travel awards.
- **More use merchandise.** A majority of 55 percent of respondents said they include merchandise in travel campaigns, up from 45 percent the year before.
- **Qualification rates remain high.** On average, 31 percent of those eligible earned trips last year, about the same as 1984 but a big improvement over the 24 percent in 1983.
- **Recession fears have an effect.** While early survey results this year indicated a possible 18 percent increase in incentive travel expenditures, the final tally came in at 10 percent. Growing concerns of an impending recession appeared to dampen enthusiasm and prompt some companies to cut back on their plans. ■



INSIDE: "Marketing to Blacks" Restaurant Research

Incentive Marketing

FEBRUARY 1986

1986 RESOURCE GUIDE

A BILL PUBLICATIO

Rule Structures for Dealers, page 36.

February 1986

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Cover Photo
Fred Slavin

Marketing to Black Consumers, page 22.

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- Software marketers turn to consumer promotion tactics to stem declines in sales momentum.
- Importers of the new Yugo automobile see no need for traditional dealer incentives.
- The recent spate of attacks on U.S. travelers already has affected consumer travel and appears to be influencing the plans of incentive buyers as well.
- Joseph Harmon, a former special markets manager in the watch field, dies.

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Incentive Marketing (USPS 910-960) is published monthly by Bill Communications Inc., 633 Third Ave., New York, N.Y. 10017. Subscriptions: US/Canada: $32, Foreign: $45, Single Copies: $3, November Facts Issue: $15. Copyright 1985 by Bill Communications Inc., all rights reserved. Postmaster: Send change of address to INCENTIVE MARKETING, Circulation Dept., 633 Third Ave., New York, N.Y. 10017. Second Class postage paid at New York, N.Y. and at additional mailing offices.

Promotion Overview

Overall incentive spending rose 7.9 percent in 1985 as marketers began the year on an optimistic note.

Over the years, **Incentive Marketing** surveys have revealed a correlation between economic conditions and incentive expenditures. The link once again was evident during 1985, as marketers started off the year optimistic about marketing expenditures but grew increasingly conservative as the year wore on and economic growth indicators abated. Overall incentive spending in 1985 rose 7.9 percent to $12.8 billion from $11.8 billion the year before, when a gain of 13.3 percent was recorded.

Still, gains of incentive usage last year look respectable in light of an annual inflation rate of under 4 percent.

Consumer promotions

The largest segment of the field, consumer promotions, grew by 7.4 percent last year to $6.1 billion from $5.7 billion the year before. A survey conducted in early 1985 indicated that expenditures might grow by as much as 15 percent, but enthusiasm dropped as the year continued.

Spending increases in consumer premium offers by manufacturers and distributors outpaced spending gains by retailers—8.3 percent against 6.1 percent. The retail category was slowed by a decline in trading stamp volume for the first time since 1975. However, retailers spent 9.8 percent more on non-stamp promotions.

Of the two largest product promotion types, direct premiums showed the greater increase, up 9.1 percent over 1984. Mail-in offers are estimated to have grown by 7.5 percent last year. In the mail-in category, marketers put particular stress on sweepstakes and free mail-in offers. There appears to have been heavy use of items with high-perceived value and low cost, such as recipe books, calendars, records, tapes, health-club memberships, newspaper subscriptions, etc.

The building materials industry showed the most aggressive increase in consumer promotion last year, with strong growth also shown by the detergent and cleanser category as well as distributors and wholesalers.

Sales motivation

Spending on sales motivation passed a milestone last year, topping $3 billion. However, early in-

THE INCENTIVE FIELD AT A GLANCE

	1984 EXPENDITURES	% CHANGE	1985 EXPENDITURES	% CHANGE
	(ALL FIGURES IN THOUSANDS—"000" OMITTED)			
SALES INCENTIVES	$2,984,320	19.9	$3,264,679	9.4
Merchandise	2,260,834	19.5	2,468,214	9.2
Travel	723,486	21.3	796,465	10.1
DEALER INCENTIVES	$2,045,792	12.2	$2,228,063	8.9
Merchandise	1,345,576	11.4	1,456,672	8.3
Travel	700,216	13.8	771,391	10.2
MERCHANDISE TOTAL	$3,606,410	16.3	$3,924,886	8.8
TRAVEL TOTAL	$1,423,702	17.5	$1,567,856	10.1
TRADE TOTAL	$5,030,112	16.6	$5,492,742	9.2
BUSINESS GIFTS	$1,122,164	8.5	$1,179,502	5.1
CONSUMER PREMIUMS				
Product Promotion	$3,352,402	11.4	$3,629,492	8.3
• Mail-in Offers	1,700,310	11.5	1,827,436	7.5
• Direct Premiums	1,652,092	11.2	1,802,056	9.1
Retail Promotion	$2,326,000	11.6	$2,468,500	6.1
• Trading Stamps	554,000	4.5	522,000	-5.8
• Other Retail Premiums	1,772,000	14.0	1,946,500	9.8
CONSUMER TOTAL	$5,678,402	11.5	$6,097,992	7.4
TOTAL USAGE	**$11,830,678**	**13.3**	**$12,770,236**	**7.9**

dications that the field would show double-digit growth in 1985 did not pan out, with the final tally coming in at about a 9.4-percent increase.

Merchandise continues to account for the lion's share of award expenditures, representing 76 percent of the total. Marketers spent 9.2 percent more on merchandise last year over 1984, and 10.1 percent more for travel.

In keeping with the apparent growth in promotional spending in the building materials industry, this category showed the strongest growth in sales motivation, up 11.7 percent. Also strong last year were: electronics, radio and television, up 10.6 percent; machinery and supplies, up 11.2 percent; and publishers, printers and broadcasters, up 10.8 percent.

Despite a slower economy, sales incentive users reported relatively strong sales increases of 18 percent as a result of their motivation campaigns. This is down from 20.1 percent in 1984. It appears that fewer salespeople qualified for awards last year, with 40-percent overall qualification reported last year against 44 percent in the prior year. Forty-seven percent qualified for merchandise awards, against 29 percent for travel.

Costs of campaigns fell last year to 8 percent of incremental sales from 9 percent last year.

TOTAL DOLLAR VOLUME OF INCENTIVE USAGE

(ALL FIGURES IN THOUSANDS — 000 OMITTED)

1985	$12,770,236,000	1975	$ 4,236,305,000
1984	$11,830,678,000	1974	$ 4,829,964,000
1983	$10,440,117,000	1973	$ 5,023,184,000
1982	$ 9,779,217,000	1972	$ 4,649,653,000
1981	$ 9,361,510,000	1971	$ 4,222,505,000
1980	$ 8,664,251,000	1970	$ 3,793,000,000
1979	$ 7,636,138,000	1969	$ 3,772,000,000
1978	$ 6,719,687,000	1968	$ 3,598,000,000
1977	$ 5,841,575,000	1967	$ 3,218,000,000
1976	$ 5,026,535,000		

Source: IM surveys 1967-1985

Dealer motivation

Promotions for dealers remained strong last year but dipped somewhat from 1984 activity, when expenditures rose 12.2 percent. Last year's 8.9-percent gain well exceeded inflation but did not live up to optimism detected early last year in initial survey returns.

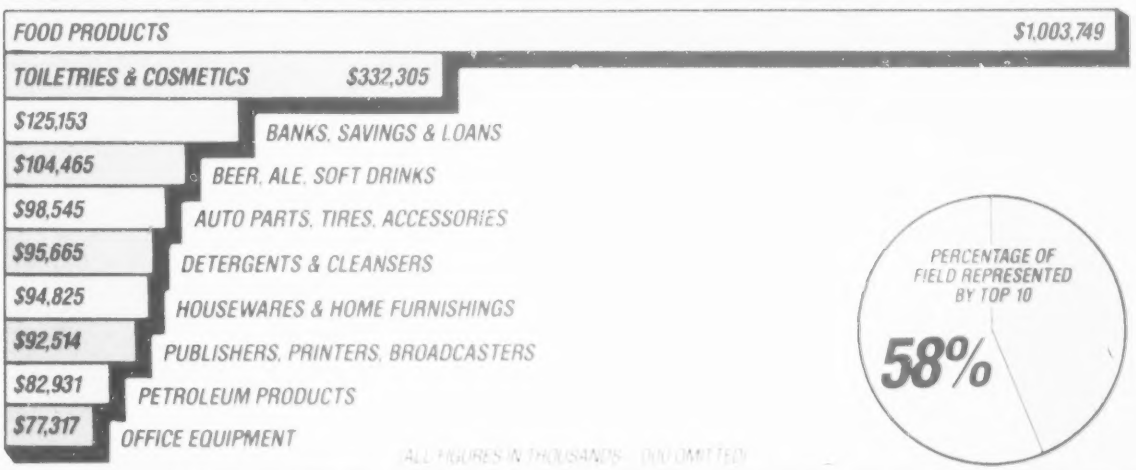
Contrary to the pattern in sales motivation, dealer programs registered an increase in sales results, with the average promotion yielding an 18.7-percent gain as opposed to 16.9 percent the year before. This category had a much higher qualification rate than in the sales motivation field, with 52 percent earning awards last year.

Also, the average dealer program cost 13 percent of incremental sales.

On average, dealer motivation users spent $162 for merchandise, up sharply from the $125 spent in the previous year. For travel, they spent an average of $1,890 per recipient, up from $1,748.

More than two-thirds of respondents last year said they had increased dealer motivation spending over 1984 levels. ■

TOP 10 CONSUMER PREMIUM USERS (1985)



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INSIDE: Women at Work · Electronics · N.Y. Pre-Show

APRIL 1986

Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

Dealer Motivation

Mystery Shoppers

PLUS

FACTS Update

Destination: San Diego

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Women at Work, p. 72

April 1986

82nd Year, Vol. 160
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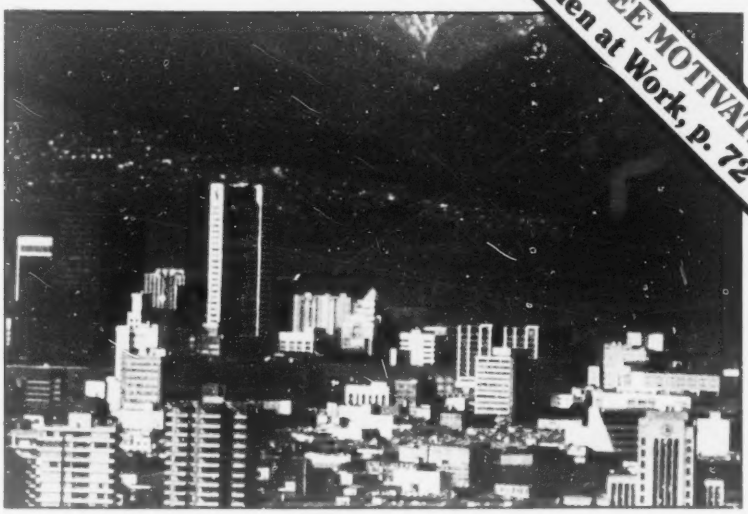
Fred Slaton



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Sales results of dealer programs are holding up well—at an average 18.4 percent increase, compared with 18.7 percent last year.

FACTS Update

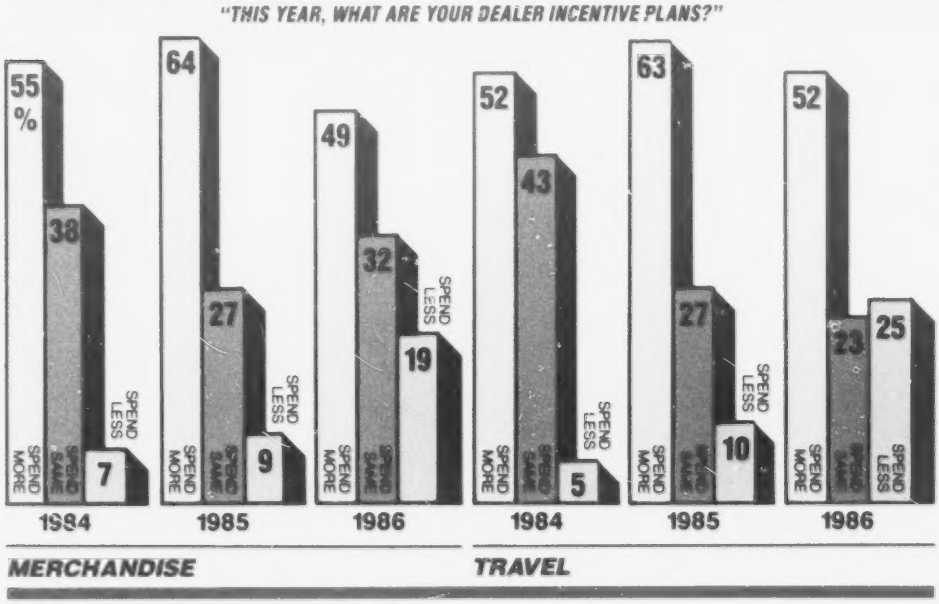
Motivating the middleman doesn't get any easier, but results are satisfying. And as the users of dealer incentives see it now, overall activity is increasing just a little short of the 1985 pace.

Reports of 207 companies in **Incentive Marketing**'s latest survey reveal that:

- Marketers are increasing dealer expenditures this year by 7.9 percent over the same users' 1985 outlays;
- Merchandise programs are rising more than travel, contrary to last year's picture;
- Sales results are tending to hold up well—at an average 18.4 percent increase, compared with 18.7 percent a year ago;
- Award costs are up a bit, particularly for travel, but. . .
- Overall campaign costs remain at a median of 10 percent of incremental sales;
- Dealer participation is a little better than the strong showing a year ago, and
- About half of the respondents are increasing their dealer incentive usage in 1986.

Incentive promotion to retailers, distributors and wholesalers did not increase much in usage for several years, until recovery signals brought an up trend in 1984—with the 12.2 percent growth in expenditures outstrip-

LOOKING AHEAD . . .



WHAT CAN DEALER INCENTIVES DO?

% OF RESPONDENTS REPLYING TO EACH OBJECTIVE

66%	INCREASE OVERALL VOLUME	16%	BUILD DEALER TRAFFIC
35%	INTRODUCE NEW PRODUCT	15%	OFFSET COMPETITION
23%	MOVE FULL LINE OR SLOW ITEMS	13%	BOLSTER SLOW SEASON
22%	IMPROVE MORALE/ GOOD WILL	12%	PREPARE FOR STRONG SEASON
		11%	SUPPORT CONSUMER PROMOTION

ping inflation by a good margin.

In 1985, the growth rate eased to an estimated 8.9 percent. The **IM** total of dealer incentive activity last year was $2.23 billion, about 35 percent of it for travel and the rest for merchandise awards. If the field should equal the predictions of this survey group, 1986 would end with dealer incentive spending above $2.4 billion.

Marketers are increasing dealer expenditures this year by 7.9 percent over 1985 outlays.

The apparel industry led last year's drive, adding 11.5 percent to its dealer incentive spending—due to a big jump in travel usage. Other active groups, all increasing more than 10 percent, were building materials; beer, ale and soft drinks; toiletries and cosmetics; heating and air conditioning; pharmaceuticals; electronics; radio and television; automobiles and trucks; insurance; publishers, printers and broadcasters, and the miscellaneous industries group.

Slow movers last year, with expansion below 7.5 percent, included farm equipment; feed, fertilizer and farm supplies; hardware; housewares and home furnishings; machinery and supplies, and distributors and wholesalers.

Of the 207 firms responding to the February/March survey, 156 supplied budget information on their expenditures in 1985 and projections for 1986. These figures show that the marketers are increasing their purchase of merchandise awards by 9.1 percent and their travel buying by 5.7 percent. Last year's study showed the opposite situation: an 8.2 percent rise in merchandise programs and 13.9 percent more travel usage. Last year's final estimate still showed travel growing faster—at 10.2 percent versus 8.3 percent for merchandise.

About 49 percent of respondents are spending more for merchandise than in 1985, while 52 percent of the travel users have upped their expenditures. On the down side, more—25 percent—have cut back on travel, against 19 percent who are buying less merchandise. The remainder—32 percent of merchandise users and 23 percent of travelers—report their budgets unchanged.

While expenditure trends say much about the state of dealer incentives, the primary focus of the survey is to explore how users are planning, targeting, budgeting, executing and evaluating their promotions and what the exercise is doing for their sales.

Among the multitude of dealer incentive targets, wholesalers and distributors usually lead the way. This year's survey shows them increasing even more in favor—as the target audience for 61 percent of users, compared with 49 percent who wooed them a year ago. The second favorite was commercial or industrial dealers, named by 30 percent. Some 9 percent of the companies aim their campaigns at retail grocers. Drugstores, service stations, variety or department stores, specialty retailers, service contractors and "other" dealer types are selected by small numbers of the users, ranging from 3 to 7 percent. The total is well over 100 percent, since the marketers sell through an average of 1⅓ types.

Merchandise programs are rising more than travel, contrary to last year's picture.

The first measure of incentive success is usually an increase in sales volume, so it is not surprising that the number-one objective of a trade promotion is often to "increase overall volume." That is

If the field should equal the predictions of this survey group, 1985 would end with dealer incentive spending above $2.4 billion.

a goal of 66 percent of the respondents in the dealer incentive survey.

What may be surprising is that the figure is so low. For many years in both sales and dealer incentive studies, **IM** readers chose "overall volume increase" in 75 to 80 percent of cases. Last year it hit a new low of 69 percent and has now dropped another three points.

This appears to be a corollary of increasing sophistication in the use of incentives. More and more users, though still ultimately seeking the bottom line, recognize that more specific aims to fit circumstances can improve the outcome.

How to attain the increased sales is the key concern. A new product could certainly do it—and introducing new items is the second objective, noted by 35 percent.

The third objective for dealer incentives is "Move full line or slow items," at 23 percent. This is followed closely by "Improve morale or good will," in fourth place at 22 percent.

New product introduction is one case when promoting a single item is logical—a course followed by 18 percent of these users. More common, however, is a full-line campaign, favored by 35 percent. But the most prevalent practice is to put the incentive push behind a few selected items; that is the preference of 43 percent of the surveyed users.

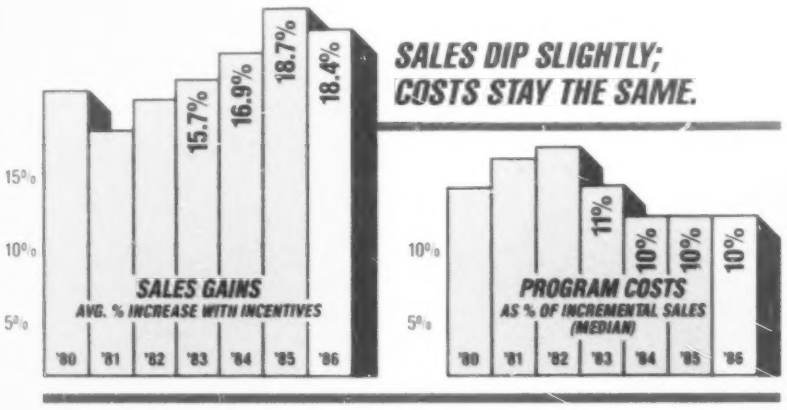
The objectives and the product emphasis naturally influence decisions on frequency and timing of promotions. The median experience of users of merchandise programs is two per year; for travel users, one per year, and for those with combination merchandise and travel promotions, three per year.

September is the leading month for launching incentive promotions, chosen by 29 percent, with second-ranked January at 24 percent. March and April are the break dates for 21 and 18 percent, respectively; February, June, July and October are favored by 15 or 16 percent each, and the remaining months see from 9 to 13 percent of these executives opening campaigns.

The users in the latest survey achieved good sales results with their most recent dealer incentive promotions but did not quite reach their own optimistic targets, on the average. They told **IM** they usually set a sales goal averaging 19.6 percent; their actual performance comes to 18.4 percent. But averages can be deceptive. When we look at the median in each case, their goal is 12 percent, and the actual result is 15 percent.

The 18.4 percent virtually matches the result of 18.7 percent in the 1985 survey, and the median is exactly the same, at 15 percent. Looking at this year's executives' own experience a year ago, however, shows they have improved their record. They indicated an average sales gain of 17.1 percent in their 1985 promotions, up from 16.2 percent the year before. By either measure, their own history or the field's overall results, the picture is one of successful effort.

Sales effectiveness must reflect trade participation, and here the record is quite healthy. Many executives favor a rule of thumb that

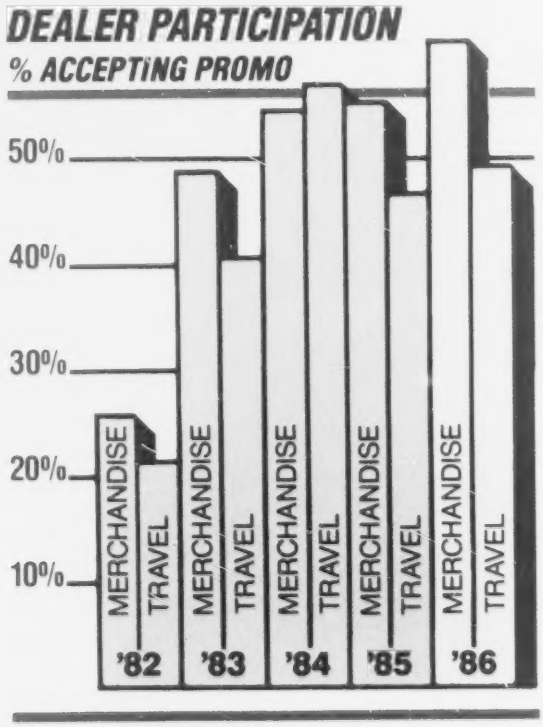


The apparel industry led last year's drive, adding 11.5 percent to its dealer spending—due to a big jump in travel usage.

says 50 percent of eligible dealers (or salespeople) should earn awards. By such a standard, these marketers have done well in recent programs, with an average of 57 percent winners in merchandise programs and 49 percent in travel campaigns. And the median experience in both cases is higher—60 and 50 percent, respectively. This participation rate represents an improvement over that shown in last year's survey, with 55 percent merchandise and 47 percent travel qualifiers and medians at 60 percent and 45 percent.

Given increased sales and strong trade participation, can we assume a truly successful operation? The answer depends, of course, on how you do your arithmetic, and users differ on it. But the simplest evaluation hinges on how much of the sales gain you had to give back to run the program: What did it cost as a percentage of the incremental sales? For three consecutive years now, the typical case has been 10 percent—following four straight years with costs ranging from a median of 11 percent to as much as 14 percent of the incremental sales.

And most users clearly agree that when they can buy a new sales dollar for a dime, it's a pretty good deal.



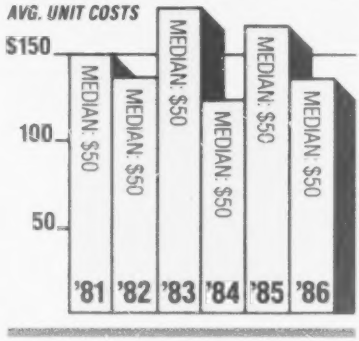
But results like this do not just happen. They come from careful planning and execution at every step of a promotion. Planning usually starts well in advance of the launching of a campaign, although practices vary widely. Reports of planning time in this survey range from two weeks to two years.

Most companies are likely to have occasion to conduct quickie promotions that are put together in days. But we asked the executives in the survey for their practice in advance planning for *major* programs, and their response shows them to be much more deliberate than their 1985 counterparts. Last year's survey found an average planning time of 15 weeks for a merchandise award promotion and 31 weeks for a travel campaign. This year's comparable averages are 33 weeks and 38 weeks—narrowing the gap between merchandise and travel planning, as well as lengthening the time overall.

The planning takes a lot more time than the doing. The average duration of a merchandise promotion—special deal or display premium, for example—is from nine to 11 weeks. For a dealer contest/sweepstakes, it stretches to 14 weeks. The average length of a travel promotion is 28 weeks. The median, or most typical, duration in each case is just a little below the average—eight, 12 and 26 weeks, respectively.

Some users are impatient. For example, an electronics wholesaler complains of the time "getting it off the ground—it seems to take at least two to six weeks, depending on the type of program."

MERCHANDISE AWARDS



He spends about $100,000 for merchandise incentives for industrial dealers, with a three- to four-week planning span. For travel programs with a $200,000 or larger investment, he increases the planning to about 26 weeks. He claims a high percentage sales gain, although his dealer participation is very low—30 percent for merchandise and only 10 percent in travel campaigns.

A food manufacturer who gets excellent participation from retail and wholesale grocers, and usually experiences good sales results, devotes only 12 weeks to plan a merchandise promotion but allows up to eight months for his $3,000-per-person trips. But, he laments, "generally not enough planning time is spent or not enough lead time between selection of incentives and the actual awarding of them."

Overall campaign costs remain at a median of 10 percent of incremental sales.

H. S. Smith, manager, lawn and garden, of Deutz-Allis Corporation, Milwaukee, says he spends only 12 weeks planning an annual travel program, but, with a 12-month selling period, he has the full year to fine-tune many details. He runs a group trip for farm equipment dealers, and about 20 percent usually qualify.

His biggest problem is one at the heart of every incentive program: "Setting objectives and quotas that are effective in motivating the largest number of dealers without making it too easy."

Another side of the same question is "estimating results in advance to justify promotion," as described by Donald E. Mereen, director of marketing, Telex Communications Inc., Minneapolis.

He offers merchandise and travel incentives to dealers in Telex audio products and is satisfied with five percent acceptance of merchandise offers and only one percent for travel. This month a group of the dealers will spend five days at Ixtapa, Mexico, and Mereen figures the program will net him a 15 percent volume increase. The trip promotion is 26 weeks in planning and 26 weeks of selling time. Each trip (per person) takes $25,000 in purchases of Telex products, and the cost in incremental sales is a high 30 percent.

Telex promotes its trip strongly through the company sales force, in literature with the products, at trade shows and by direct mail. Color printed pieces include a series of picture postcards as teasers throughout the campaign period.

Many executives find the planning and preparation of promotional materials the most taxing part of putting the incentive program together. Says an oil company executive who runs 18 premium promotions a year for service stations, distributors and jobbers: "Time consumed from idea to concept to in-house art and printing" is the greatest problem. "Our promotional literature is all done with company personnel and owned equipment. Scheduling my job is a problem."

September is the leading month for launching promotions, chosen by 29 percent.

That company spends about 10 percent of its total incentive budget for the promotional support—and that is well below the average. In fact, executives in the latest survey are bigger promotional spenders than in most past studies. A year ago, the average outlay for promotional support was 19 percent of total campaign budget, with the actual incentive cost taking the other 81 percent. Among this year's respondents, the average is 24 percent for promotional support.

The user's own sales force is the most common vehicle for promoting the program, however—favored by 68 percent. Direct mail is used by 43 percent of the firms, and dealer sales meetings are held by 29 percent. Other avenues of promotion are literature with product (24 per-

cent), trade shows (22 percent), wholesalers or brokers (14 percent) and trade advertising (9 percent).

The importance of the sales force as a means of spreading the word makes it clear that salespeople must be motivated to follow up and stimulate trade support. A New Jersey machinery manufacturing executive emphasizes the importance of "sales force cooperation" and says that his major problem sometimes is a "lack of enthusiasm and earnestness on the part of reps as to follow-through on programs in force at a given time. Customer response is good to excellent, results as predicted."

He runs promotions aimed at industrial dealers and service contractors and gets heavier participation (75 percent) in travel campaigns than with merchandise (25 percent). Sales results are reported in large numbers, and the cost in relation to incremental sales is very low. The company also has merchandise and travel incentive programs for salespeople.

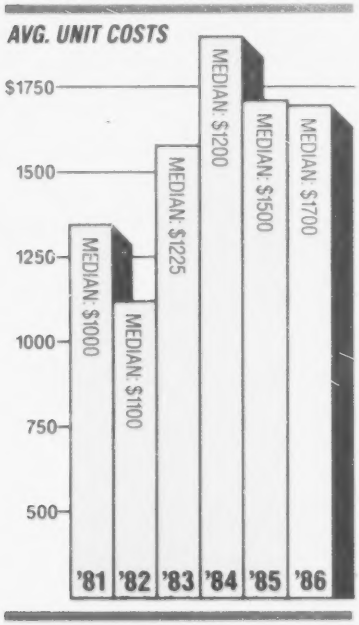
What are users spending for their incentive awards to dealers? The survey finds that, while the average cost of merchandise has dropped from $162 last year to $129, the median remains the same, at $50. The reverse is true in the case of unit travel costs, where the average has barely moved—from $1,748 last year down to $1,745—but the median has risen from $1,500 to $1,700. But when considered on a per-person basis, the median trip expenditure remains at $1,000.

The final decision on spending that money for the incentive merchandise or travel is, in the majority of cases, a top-management responsibility. We asked the users where the last word rests among four categories of executives, and they responded this way:

53%—President, CEO, executive vice president, general manager
27%—Director of sales or marketing
9%—Director of advertising or sales promotion
6%—Product manager or merchandising manager

The boss may make the final choice, but it takes many people within most organizations to reach that stage. The decision points are many. Alan D. Ginos, marketing specialist at Caterpillar Industrial Inc., Mentor, Ohio, summed up key problem spots: "Trying to tie to any incremental business achieved; focusing appropriate parties' attention during planning stage; making competitions meaningful to all participants, not just the top; keeping enthusiasm up throughout program; getting enough money budgeted to do it right." ■

TRAVEL AWARDS



Types of Award

What to offer and where to get the awards are obvious essentials of incentive programs. There are no right answers, only the right ones for each user in terms of his objective, audience, product and many other factors. But here is a consensus of the choices made by this year's respondents:

What types of awards do you most often use as dealer incentives? (% of total respondents)
41% Single premium or few related items
24% Merchandise from incentive firm's catalog
19% Own merchandise catalog or selection
25% Individual travel awards
21% Group trips

Type of merchandise considered most effective:
51% Home or family items
36% Personal items
13% Business-use items

How merchandise premiums are delivered:
62% Shipped separately
25% Delivered by sales force
7% Packed with product

Type of supplier generally used:
Merchandise awards
40% Wholesaler or premium jobber
34% Direct from manufacturer
27% Full-service incentive agency
25% Manufacturers' rep

Travel awards
36% Make own arrangements
29% Full-service incentive agency
19% Travel carrier or hotel
14% Travel wholesaler

FACTs Update • Kid Power • The Law • Mexico

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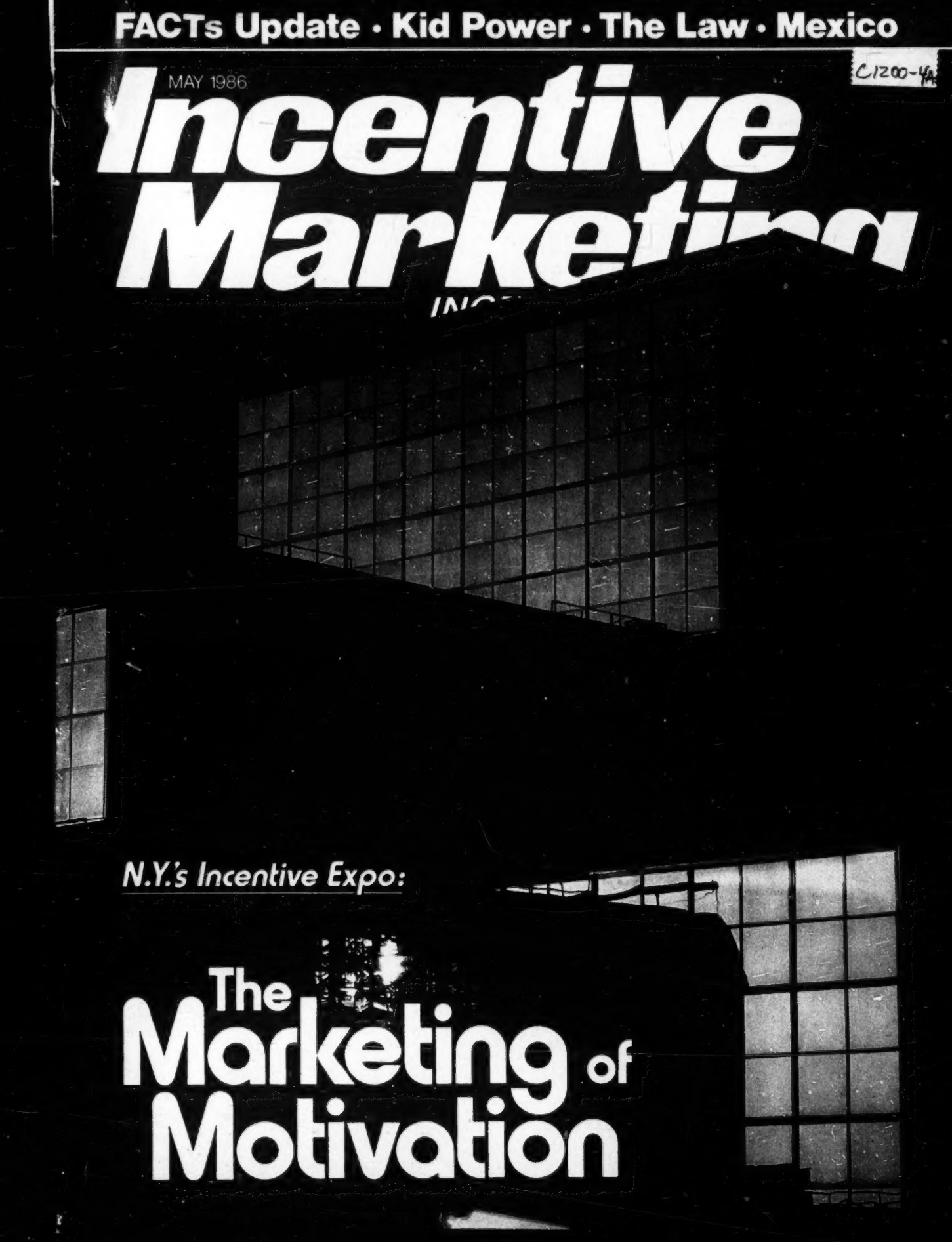
MAY 1986

Incentive Marketing



N.Y.'s Incentive Expo:

The Marketing of Motivation

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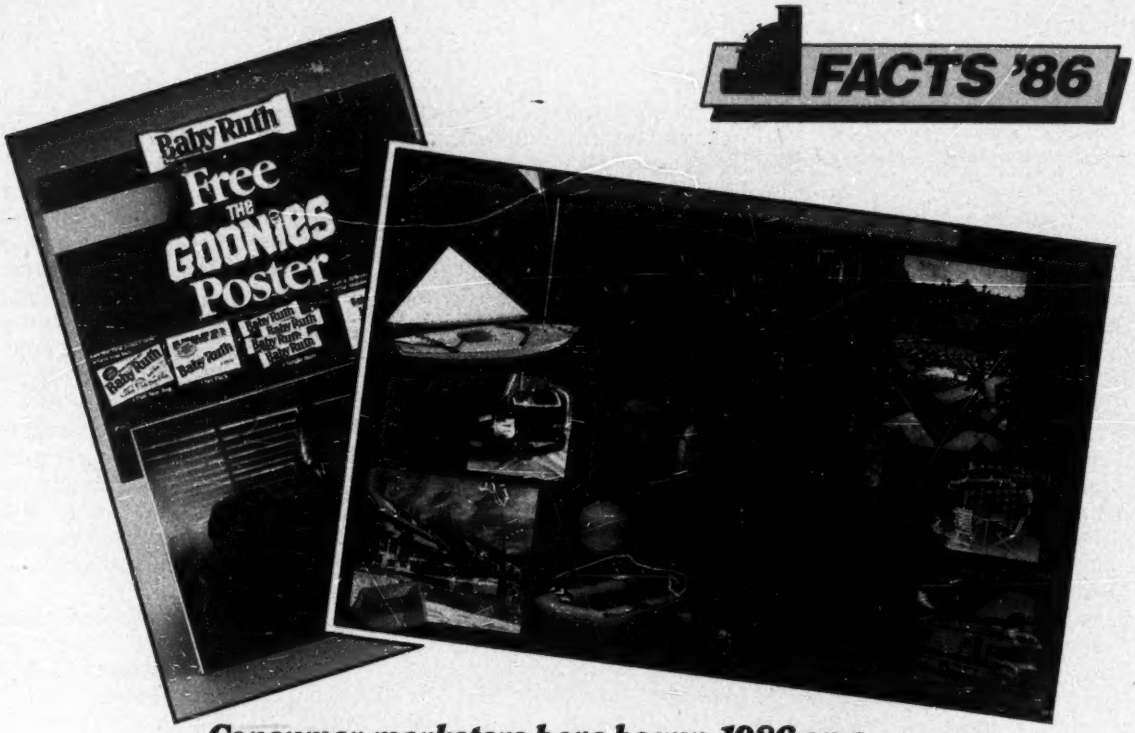


Consumer marketers have begun 1986 on a cautious note, projecting an 8.7 percent gain in promotion outlays.

Consumer Promotion

A preliminary FACTS survey reveals that consumer marketers have started out 1986 on the conservative side, estimating that their expenditures for consumer premiums in 1986 will grow about 8.7 percent over 1985 levels.

At this time last year, consumer premium users had become more aggressive, forecasting 15 percent incentive budget increases.

But as 1985's economic realities unfolded, the aggression abated —and product promoters finished the year spending about 8.3 percent more for consumer premiums than they had in 1984. Retailers braked even more, and total consumer spending came to $6.1 billion, up an estimated 7.4 percent.

The 1985 estimates showed the direct premium category (direct premiums, factory packs and coupon plans) leading the field, with 9.1 percent expansion. Mail-in programs lagged at 7.5 percent, and the retail effort was farther behind, gaining only 6.1 percent over the previous year's expenditures.

Direct premiums given free with a purchase increased by about 10.3 percent in 1985, surpassing $900 million in usage. A close second for growth was the sweepstakes and contests category, which gained an estimated 9.4 percent last year. Slowest pace of all was set by self-liquidators, with only 6.6 percent expansion.

Retailers' premium promotion last year edged up only 6.1 percent, despite a healthy 9.8 percent growth in non-stamp promotions, because of a 5.8 percent decline (the first since 1975) in trading stamp usage.

The dominant retail grocery in-

dustry, still using more than $1.25 billion in incentives, added only 2.9 percent to its 1984 budgets; much of the drag of the decline in trading stamps was felt by this principal user, and even fairly strong usage of continuity promotions and tape-redemption plans did not bring much dollar growth overall.

On the manufacturing side of the grocery business, the food products category upped its premium spending only 7.1 percent. Toiletries and cosmetics spent 8.6 percent more, and the makers of detergents and cleansers boosted their outlay for consumer incentives by 9.6 percent. Beer, ale and soft drinks, another strong factor in the grocery field, spent an additional 9.4 percent for premiums last year. These four industries remain among the six largest users of consumer premiums.

Respondents who reported their actual and planned expenditures for 1985 and 1986 told **Incentive Marketing** they expect to increase their dollar outlay for all six types of premiums, with the three mail-in techniques increasing 5.8 percent and the other types slated for a 10.8 percent rise. Among the mail-ins, the sweepstakes and contests category is targeted for an 8.3 percent boost; self-liquidators, 5.6 percent, and free mail-ins, 4.4 percent.

Retailers appear to have decreased use of promoters' point-of-purchase display materials.

These preliminary projections are based on the reports of 107 companies.

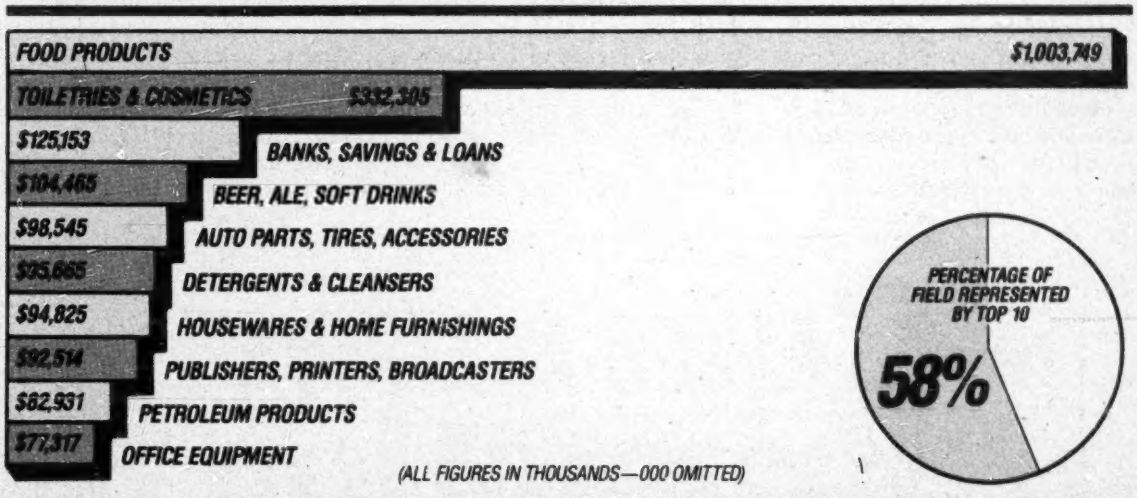
These users are at least moderately bullish about consumer premium promotion, despite some slippage in the effects on their retail sales as compared with results in previous surveys. In the comparable survey a year ago, respondents averaged 20.4 percent in retail sales increases during their premium promotions; the previous year, the figure was 20.8 percent. In the present study, the average has dipped to 18.8 percent. For last year and this year however, the median response was 15 percent.

Two other indicators of effective promotion are somewhat less favorable than they were a year ago. The estimated percentage of retailers using the promoter's display materials (with or without a premium) has slipped just a little, from 58 percent last year to 56 percent now. But the executives' estimate of the increase in display usage attained through a premium offer has dropped significantly from the 1985 average of a 44 percent gain to a 32 percent average seen by this year's respondents.

On the other hand, consumer response to mail-in offers may have improved its record. We say "may" because reports on this measurement are generally sparse. Not all users try to gauge the response on the basis of consumer orders per thousand ad exposures, the way the question is asked. And, when they do, there is some evidence that the ways they count the response are not always comparable.

Nevertheless response to print advertising of self-liquidators seems to have improved consider-

TOP 10 CONSUMER PREMIUM USERS (1985)



ably this year, although free mail-in offers show a slight decline.

In offers of lower-priced self-liquidators by mail—items priced under $10 to the consumer—users estimate they receive 20 responses per 1,000 print impressions, compared with 10 reported a year ago; both figures are medians in a wide-ranging field. When the liquidator asking price goes over the $10 mark, response drops to 10 per 1,000, this year's survey respondents say; last year's also reported a 50 percent drop, to five per 1,000.

On the free mail-in side, things are slightly less favorable this year, with a median of 12 responses per 1,000 exposures compared with last year's 15 per 1,000 exposures.

Users estimate that they receive an average of 20 responses per 1,000 pieces mailed in self-liquidating promotions.

The choice of media to advertise the premium offer does not change greatly from year to year, although there has been a decline in the percentage of firms reporting use of point-of-purchase materials this year. Although there is no conclusive evidence, this might be related to the reported decline in the use of displays by retailers.

Point-of-purchase displays still hold second place among eight media choices listed, but with use by 33 percent this year, as opposed to the previous 46 percent who picked the medium. First place continues to rest with direct-mail advertising, favored by 50 percent, 3 percentage points below last year's score.

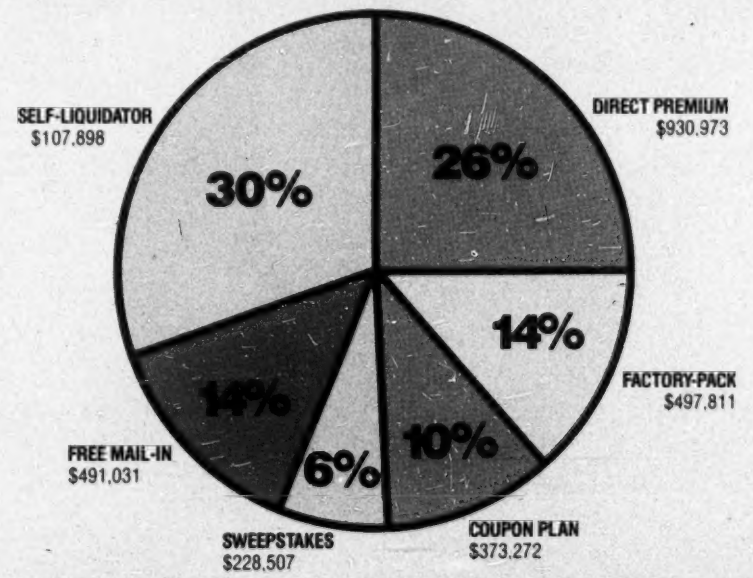
Newspapers hold third position, with 28 percent using them to advertise premium offers. The other listed media fall in behind: television and radio, 16 percent; trade publications, 14 percent; on-package advertising, 13 percent; consumer magazines, 10 percent, and Sunday supplements, 10 percent. And 10 percent say they use other media including outdoor, circulars, trade shows and local ad sheets.

The number of consumer premium offers run each year by the typical user company has dropped. In 1984, users of both mail-in and direct premiums indicated they conducted a median of four promotions a year. In last year's comparable study, the medians were three. In the present survey, the number of direct premium programs per year remains at a median of three (average is 4.7)—but for mail-in promotions the median has dropped to two (average 2.4).

This pullback in the number of self-liquidators, free mail-ins and sweepstakes makes the relatively

1985 CONSUMER PREMIUM USAGE

ESTIMATED EXPENDITURES FOR 6 PRINCIPAL TYPES *(000 OMITTED)*



small increase in dollar expenditures (5.8 percent) for those types seem more logical and the health of promotions stronger, at least among this limited sample group of marketers. If two promotions a year are substantial enough to take even a little larger budget than three did before, they must be reaching the market effectively.

In the case of self-liquidators, the average price to consumers among this year's reporting executives is $9.53, up from $8.55 a year ago. The median figure is $5.95, compared with $5 a year ago.

The term "self-liquidating" is very often a relative one, not to be interpreted strictly. We asked the executives in the survey what percentage of their costs is actually liquidated by the consumer's payment, and the median report was 85 percent. A year ago, the comparable group recovered more—about 93 percent of the actual cost of the premium.

Postage and handling used to be included in the liquidating price, by definition. But a recent trend has seen more users asking for additional amounts to cover mailing costs. Some 53 percent of respondents say they state postage and handling as a separate charge to the consumer, not included in the advertised price. That figure is up from about 25 percent in 1983, 44 percent a year later and 47 percent last year.

The numbers of consumer premium offers used each year by companies has shown a decline.

There seems to be less need for such split pricing, however, if the users' reports last year and now are accepted as evidence of where the self-liquidator price ceiling is going. In 1982, surveyed executives considered that "response drops significantly" above an average of $11.35 liquidating price. By 1984, that had risen to $17.85.

But last year and in the latest survey, that ceiling has about doubled. In 1985, users' estimates averaged $35.14, and this year the figure has risen slightly—with $35.74 as the average point where respondents believe the pull of a liquidator diminishes. Thus, splitting the asking price in two, once seemingly justified to keep the main figure within tight limits, now seems to offer little advantage for that purpose.

A large percentage of free mail-in offers also carry a postage and handling charge, but most appear to be within realistic limits.

On the cost of the free offer to the user, there has been some vacillation in survey reports over a three-year period. Respondents in a 1984 survey indicated, on average, that their cost of the premium equaled 20.5 percent of the retail price of the products with which it was offered. Last year, the same figure dipped to an average of 11.9 percent. The present survey finds that the average cost in relation to product purchase required has risen a bit to 15.9 percent.

CONSUMER PREMIUMS: WHAT THEY CAN DO

(% OF USERS IN 1986 SURVEY WHO CONSIDER EACH TECHNIQUE MOST EFFECTIVE FOR REACHING EACH GOAL)

GET SHELF ATTENTION		SELL-IN TO DEALERS		BOOST REPEAT SALES	
THE BEST:		THE BEST:		THE BEST:	
FACTORY-PACK	33%	FACTORY-PACK	26%	COUPON PLAN	28%
DIRECT PREMIUM	28	DIRECT PREMIUM	23	FREE MAIL-IN	20
THE WORST:		THE WORST:		THE WORST:	
COUPON PLAN	4	FREE MAIL-IN	3	FACTORY-PACK	11
SALES TALKING POINT		**BUILD USER GOOD WILL**		**GAIN AD READERSHIP**	
THE BEST:		THE BEST:		THE BEST:	
DIRECT PREMIUM	48%	DIRECT PREMIUM	45%	DIRECT PREMIUM	28%
FACTORY-PACK	16	SELF-LIQUIDATOR	18	SWEEPSTAKES	20
THE WORST:		THE WORST:		THE WORST:	
SWEEPSTAKES	4	FREE MAIL-IN	6	FACTORY-PACK	8
OBTAIN STORE DISPLAYS		**SAMPLE NEW USERS**		**COST-EFFECTIVENESS**	
THE BEST:		THE BEST:		THE BEST:	
DIRECT PREMIUM	30%	DIRECT PREMIUM	33%	SELF-LIQUIDATOR	27%
SWEEPSTAKES	25	COUPON PLAN	30	DIRECT PREMIUM	21
THE WORST:		THE WORST:		THE WORST:	
COUPON PLAN	10	SWEEPSTAKES	3	SWEEPSTAKES	8

A similar down-and-up pattern has shown up in the number of proofs of purchase required to qualify for a free mail-in offer. Very large numbers were the rule of several years ago, but by 1984 this had dropped to an average of 2.7. Last year, the surveyed executives reported an average of 1.6 purchase tokens—but the 1986 entries average 2.3 proofs.

Another free variety, the factory-pack premium, has had a different cost history recently. In IM's 1984 survey, users said their on-pack, in-pack or container premiums cost an average of 10.9 percent of the product purchase price. This increased a year ago to 12.5 percent and has risen further to a present average of 15.2 percent.

In planning any kind of premium promotion, the marketer naturally wants to be able to estimate what's going to happen: How will the trade accept the offer, what effect will it have on sales and how many units of the premium will be needed to fulfill the offer without a lot of leftovers? The answer, in theory, is to test the promotion in some manner before launching it full-scale.

Tests don't always show what they are supposed to, but most users believe they are better than seat-of-the-pants decisions. Last year, 52 percent of the surveyed executives said they do conduct item-preference tests of most promotions. The present finding is quite similar: 54 percent test mail-in offers and 53 percent test other premiums.

The survey questionnaire lists eight commonly used test methods, but one is always the standout favorite—personal interviews, favored by 45 percent this year. In second place is mailing a single premium offer to a sample group of consumers—the practice of 28 percent. A mail questionnaire or ballot, which presents several offers rather than a single premium, is preferred by 20 percent in this survey.

Other test techniques come in with much smaller followings: consumer panel, 13 percent; bounce-back offer, 13 percent; store panels, 10 percent; package inserts, 7 percent, and newspaper split run, 2 percent. Other methods, not specified, are used by 7 percent of these marketers. The total exceeds 100 percent, since some users employ more than one test method—almost 1.5 on the average.

The accuracy of tests has slipped a bit this year, as compared with the 1985 survey. Users then said their tests averaged an accuracy of plus or minus 17 percent in forecasting the number of responses to an offer. This year, the similar figure is 22 percent—although the median is 10, indicating that a minority of the users is pessimistic about testing. In any case, 64 percent of respondents say they are satisfied with the accuracy of their tests—better than the 55 percent who were happy in last year's survey.

The direct premium is hard to beat as an effective means of achieving a host of goals.

Evaluating results of a consumer premium offer is far from scientific, most users agree. But a comparative evaluation of techniques in relation to particular objectives is not too difficult. And, as in most recent surveys, the judgment of the users is that the direct premium is hard to beat for most marketing goals.

"Free" is a hoary buzzword, and it gains even greater meaning when coupled with "instant gratification," a shibboleth of more recent coinage. The combination wins the top vote of the surveyed executives for achieving five of the nine objectives listed in the questionnaire.

There is nothing like the direct premium, many say, to obtain store displays, increase ad readership, sample new users, build good will among older users and provide a talking point for the sales force.

The factory-pack premiums, versions of the direct offer, earn the top awards for stimulating sell-in to dealers and getting shelf attention. The coupon plan takes the lead in its traditional specialty of repeat purchases, and the self-liquidator continues to have a clear advantage in overall cost-effectiveness.

Selecting methods and specific premiums to fit the need at hand is often a complex matter involving many people within a company. But the buck has to stop somewhere, and the users tell us the final decision on consumer premium purchases rests with top management (president, chief executive officer, executive vice president, general manager) in 62 percent of cases.

A director of sales or marketing has the last word 21 percent of the time. In only 8 percent of the companies the decisions are made by a director of advertising or sales promotion, and a product manager or merchandising manager is the prime mover 7 percent of the time.

Whoever makes the final decisions, however, the buying plans among this survey group look favorable considering the low inflation rates projected for this year. And, as the direction of the economy made the survey estimates look too rosy a year ago, it seems likely that a rising business curve this year may make preliminary estimates of an 8.7 percent gain look conservative. ■

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JULY 1986

Incentive Marketing

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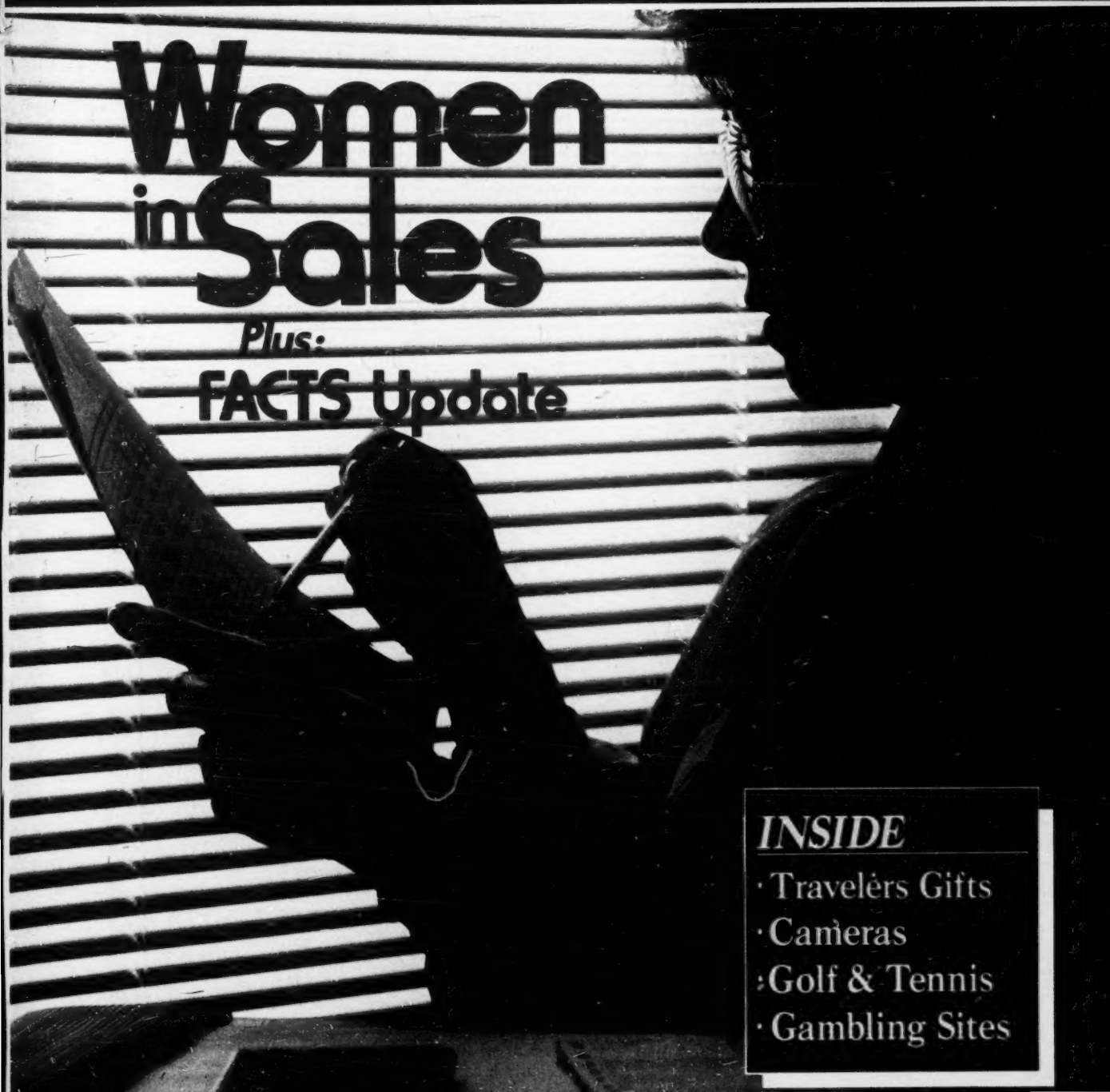
INCORPORATING INCENTIVE TRAVEL



Women in Sales

Plus:

FACTS Update

INSIDE

- Travelers Gifts
- Cameras
- Golf & Tennis
- Gambling Sites

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82nd Year, Vol. 159
Number 7, ISSN-0019-3364

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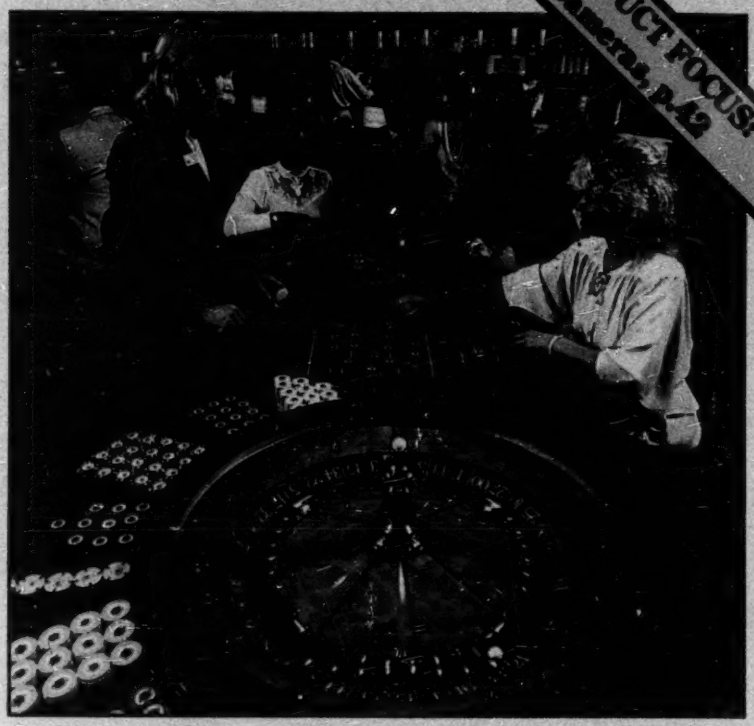

Spotlight on gambling destinations. See page 60.

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- Spurred by increasingly tough market share battles and the terrorism-induced travel slump in Europe, the travel industry has unleashed a wave of new promotions to lure customers.
- Consumer and trade winners join millions of tourists in New York this month for the Statue of Liberty celebration.
- The new tax bill may have significant effect on employee service, safety and productivity awards.
- S&H and Top Value consolidate incentive operations.
- **FACTS Update.** Sales incentive spending keeps pace with last year, with budgets up over 9 percent.

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- **Women in Sales.** While most companies now have women in their sales forces, few changes have been made in motivation programs.

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SALES INCENTIVES

Spending is keeping pace with last year, with sales incentive budgets up more than 9 percent on average.

FACTS Update

Sales incentives kept the trophy in 1985 as the most-used and fastest-growing type of incentive, and early readings indicate that they are running at just about the same pace this year.

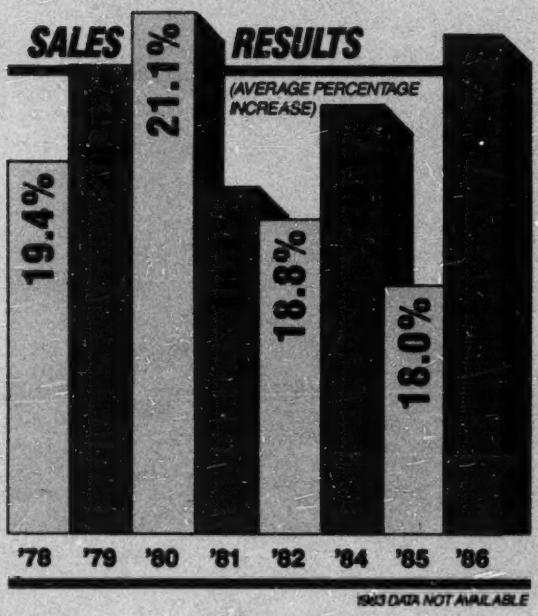
The 1985 growth of sales-force motivation, estimated at 9.4 percent, did not challenge the previous year's booming expansion of almost 20 percent. But it was still much stronger real growth than had been seen for some years prior to 1984.

An **Incentive Marketing** survey of sales incentive users just completed finds these companies upping their budgets by an average of 9.1 percent over 1985 spending. This survey reports the experience of 265 users of sales incentives, representing a cross section of industries covered in IM's annual FACTS estimates of expenditure.

Marketers are using sales incentives because they work—producing more sales this year than any time since 1980. But companies are paying a price too: Participation is level, incentive unit costs are up somewhat, and it takes a bigger slice of the incremental business to pay the bill this year.

A jump in the average sales increase to 20.9 percent makes it possible to forgive some rise in the cost.

This average compares directly with the same companies' average of 18.8 percent last year, quite close to the 18 percent derived from a different survey group a year ago. This year's median, reflecting the middle-range typical result, is equally impressive—up to 18 percent from 15 percent last year.



Estimated expenditures for sales incentives passed the $3 billion mark in 1985, reaching a total of $3.26 billion. The advance of 9.4 percent over the 1984 outlay compared favorably with 7.9 percent growth for the overall incentive field. Travel ran a little faster than merchandise, increasing by 10.1 percent while merchandise was up 9.2 percent.

Four industries, all among the top 10 sales incentive users, led the field in increased usage last year: Building materials was up 11.7 percent; machinery and supplies, 11.2 percent; publishers, printers and broadcasters, 10.8 percent, and electronics, radio and television, 10.6 percent. The miscellaneous industries group also outpaced the average, with a 10.7 percent growth rate, and wholesalers and distributors topped their previous year's expenditures by 12.6 percent.

The top user by far, insurance, added the average 9.4 percent to its sales incentive budget, translating to almost $30 million in new spending.

In most cases, the targeted salespeople are a company's own employees, favored by 70 percent of the executives reporting in the latest IM survey. About 28 percent aim their motivation efforts at independent manufacturers' representatives; 21 percent, wholesaler people; 17 percent, retailers' personnel, and 3 percent, direct selling people. The total is above 100 percent,

Building materials, machinery and supplies, publishers, printers and broadcasters, and electronics, radio and TV lead in increased usage.

because the average business conducts campaigns for about one and one-half different types of salespeople.

How do users evaluate their sales incentive programs? The most popular measurement is in total units or dollars sold, stated by 60 percent. Second in favor is the percentage of salespeople reaching their goal or quotas, chosen by 37 percent; increased market share is a touchstone of 23 percent, while 20 percent count the profit on incremental sales in their evaluation. Branch or district performance is used by 6 percent who structure their programs on a district-office basis. About one and one-half of these measurements are applied by the average reporting firm, indicating a desire to avoid rigid judgments based on one factor alone.

Even with a variety of yardsticks, absolute measurement often is impossible. "Would sales have increased without the incentives?" asks a life insurance executive. A West Coast electronics executive complains that he is "not given all financial facts from top management so therefore cannot evaluate incremental business."

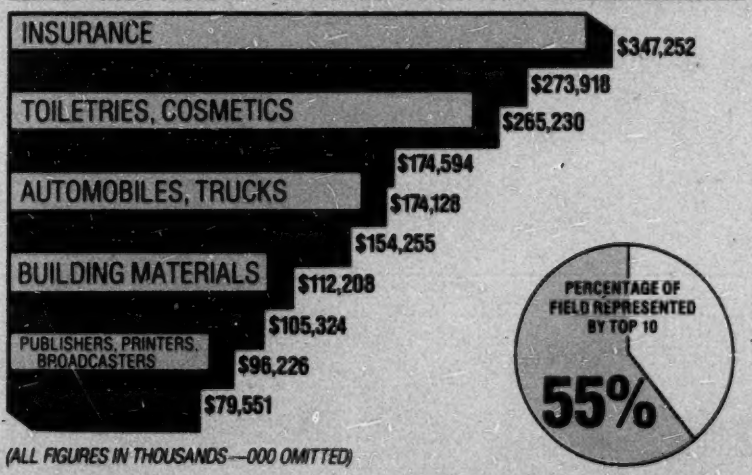
A New England manufacturer says, "Evaluation of programs has always been a thorn in our side where planning has not included it." And the importance of planning, particularly regarding objectives, is underscored by Thomas Chavez, advertising manager of the Stoody Company, City of Industry, Calif. The machine manufacturer points to the importance of getting management to accept "the idea that an incentive program cannot be all things to everyone. No one program is going to fit everyone's needs. If that were true, every company would be doing the same program."

The percentage of eligible salespeople qualifying for awards, which ranks second among evaluation measurements, has been somewhat depressed since 1981, when it reached a high of 54 percent. After dipping as low as 39 percent, it rose to 44 percent in 1984 but has since settled back to just 40 percent.

Broken down by award type, it represents 47 percent earning merchandise this year and 31 percent qualifying for trips. The all-or-nothing aspect of many travel programs has always worked to keep qualification low, but the percentage winning merchandise prizes also has slipped in recent years.

The lower level of qualification might be the result of a trend toward tougher quotas, but it is clearly not caused by more stringent application of quotas. Two years ago, salespeople earned the minimum award at an average of 93 percent of quota and had to make 133 percent to qualify fully. The median in each case, however, was 100 percent. Last year, the medians for both levels were also 100, but the average numbers were

TOP SALES INCENTIVE USERS (1985)



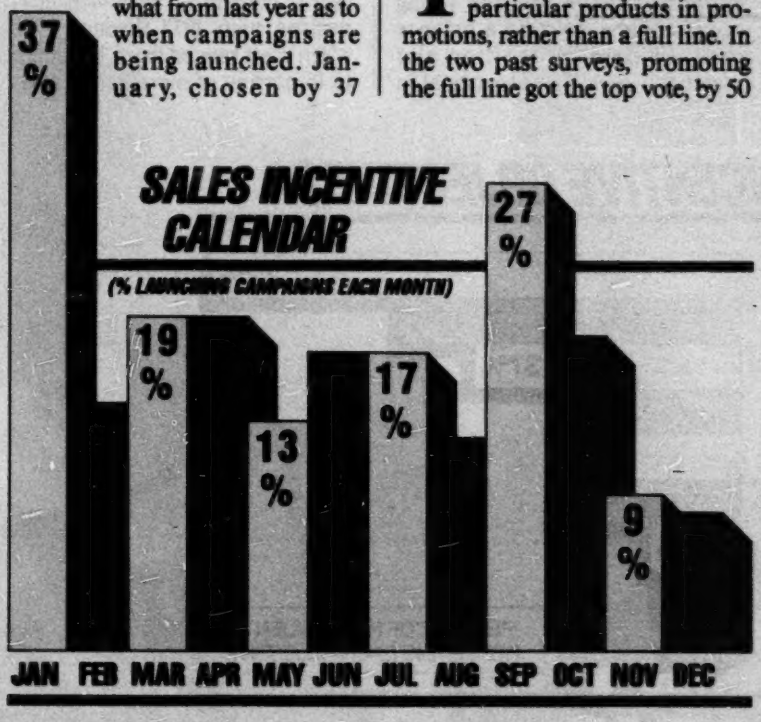
(ALL FIGURES IN THOUSANDS—000 OMITTED)

down—to 84 percent for the minimum award and 99 percent for the maximum.

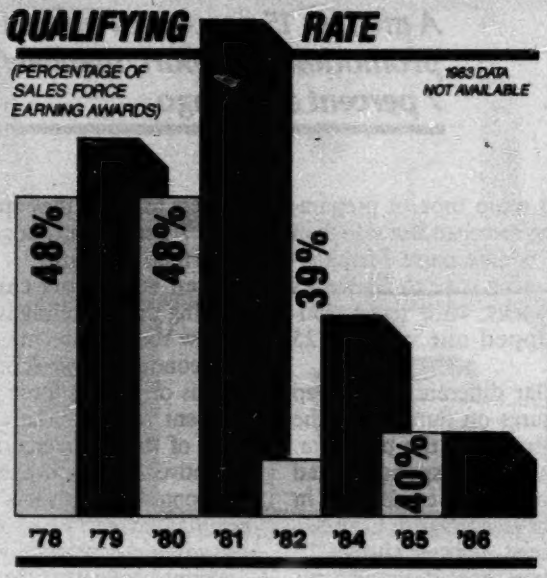
In this year's survey, the downward trend has continued. To make the first award level, an average salesperson need reach only 74 percent of the assigned quota and arrives at the top with only 89 percent. The median in the maximum range is still 100, but the low-level median has dropped to 80.

There are two principal means of setting quotas: 44 percent of respondents look back and set quotas on the basis of year-ago sales performance, and 45 percent, looking ahead, translate their sales forecasts into quotas. A third group, 11 percent, looks back just a little way, basing goals on the immediate previous period's sales.

Executives reporting in this year's survey are a bit more active in sales incentives than those in the previous study. The median number of merchandise programs they conduct is three, compared with two a year ago. In both surveys, the median number of travel campaigns remains at one.



Marketers vary somewhat from last year as to when campaigns are being launched. January, chosen by 37 percent, has jumped way ahead of September, selected by 27 percent. Following are March and April, 19 percent each; October, 18 percent, and June and July, 17 percent each.



This year's respondents also are more inclined to target particular products in promotions, rather than a full line. In the two past surveys, promoting the full line got the top vote, by 50 percent and 45 percent; this year that has dropped to 40 percent. Pushing selected items has risen in favor over three years from 39 percent to 43 percent to 44 percent. Those promoting single products remain a small minority at 16 percent this year.

Specific objectives have not changed greatly since the 1985 survey. The top choice, increasing overall volume, dropped from 73 percent to 72 percent, and the second goal of introducing a new product fell one point to 46 percent. The third-ranking objective, improving morale or good will, picked up two points to reach 37 percent. The total far exceeds 100 percent because of multiple mentions; in fact, these executives listed an average of slightly more than two and one-half objectives.

Setting objectives, of course, is only one step in the planning process. Most surveys have indicated that a travel promotion takes considerably longer to plan than a campaign with merchandise. In the present study, however, most of the difference has been erased. While these executives devote almost the same amount of time to travel planning as the similar group a year ago, they are spend-

A median 15 percent of budget is going for promotional support, marketers say, up from just 7 percent a year ago.

ing much more time in preparation on the merchandise side than their 1985 counterparts. Merchandise planning rose to 24 weeks from 15 weeks, while travel planning dropped one week to 25 weeks.

A similar difference shows up in the figures on duration of the selling period for the program. Where last year's respondents had their merchandise campaigns in the field for an average of 15 weeks, the current survey shows 26 weeks. Travel promotions also ran 26 weeks, somewhat shorter than last year's 29 weeks.

Sprint campaigns are longer this year—an average of seven weeks versus four weeks.

The longer campaign period may account for users spending a larger percentage of total budgets for promotional support. A median 15 percent of budget goes for this backup, while 85 percent is spent on awards. A year ago, surveyed readers told IM they spent a median 7 percent of budget to promote their programs.

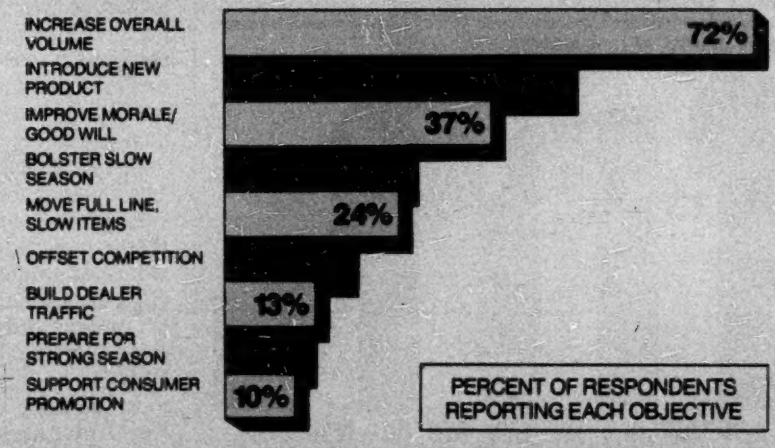
Even with short campaigns, keeping things rolling is not easy. A New York apparel manufacturer who conducts 12-week promotions for his own sales force and independent reps bemoans the difficulty of "trying to maintain total incentive throughout the period of the contest." He resorts to a long-familiar device: "We have begun to use wives as a pusher for men who are rather slow or lazy to respond."

It takes about 10 percent of the Criterion Insurance Company's total budget to provide promotional backing for the firm's 12- to 16-week campaigns, says sales promotion director Anthony R. Mancari Jr. For the Washington company, "the greatest problem frequently encountered is the difficulty of motivating both the old established agent and the young hungry agent. Striking a balance between peer recognition and merchandise or travel is critical in making our programs successful."

John J. Keenan, president of the Harleysville (Pa.) Life Insurance Company, runs six-week merchandise promotions, while his travel offerings are 52-week affairs, principally for independent agents. One problem, he reports, is a "lack of cooperation or sense of urgency on the part of some potential qualifiers. They pay little or no attention to promotions and information bulletins, qualification requirements, etc. until the last minute."

The increase in promotional budgets may be one factor contributing to a rather large increase in the bottom-line cost of the average sales incentive campaign, as a percentage of incremental sales generated by the promotion. The 11 percent average comes after a couple of years when costs where unusually low—8 percent in 1985 and 9 percent in 1984—in comparison with 1977 through 1982, when costs ranged from 12 percent to 16 percent of incremental sales.

SALES INCENTIVE OBJECTIVES



A jump in the average sales increase—from last year's 18 percent to this year's 20.9 percent—makes it possible to forgive some rise in cost.

The median cost moves up more abruptly, to 10 percent from 5 percent.

Higher unit award cost is another likely cause of the increase in total cost. The rise is in merchandise, which has the larger total volume. This year's average merchandise award costs a user $309. That is actually $6 below the average a year ago—but the averages are distorted by a few large numbers. The key is in the median, and that has risen 25 percent from $100 last year to $125 now. Median travel costs held steady at $1,500 per winner; the average per winner is $1,547.

What the money buys and from what type of source are questions every user has to answer in terms of the unique needs of his program. Here is how the answers line up in this year's survey:

Types of Award

38% Single premium or group of related items
38% Merchandise selection from incentive house
36% Individual travel awards
25% Group travel award
22% Own merchandise catalogue or selection

Merchandise Suppliers

38% Wholesaler or premium jobber
36% Direct from manufacturer
26% Manufacturers' representative
23% Incentive house

Travel Suppliers

37% Make own arrangements
21% Incentive house
14% Travel wholesaler
11% Travel carrier or hotel

The sharp division that once existed between merchandise and travel incentives is disappearing as more travel users embrace the concept of combining merchandise awards with their trips to broaden participation and as more merchandise users are converted to some travel usage. In this year's survey, 67 percent report use of merchandise programs, only 10 percent indicate travel-only usage, and 23 percent combine merchandise and travel in their promotions.

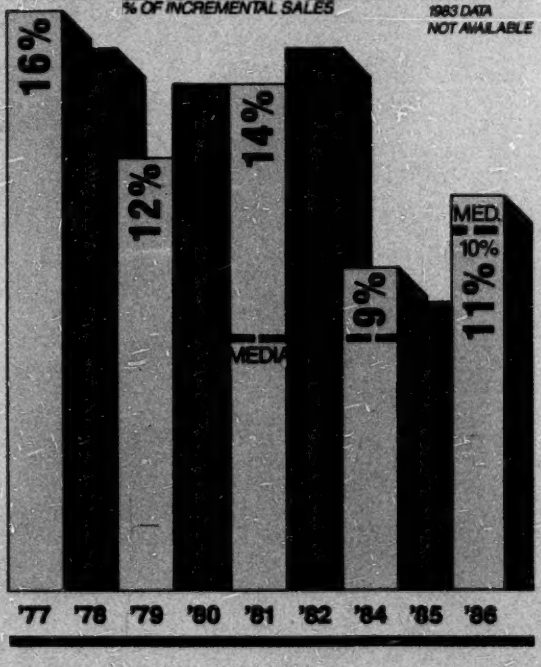
With travel or with merchandise, the healthy performance of incentives conducted this year says a lot for the motivation technique—and probably says some things for the economy as well.

Salespeople earn the minimum award at only 74 percent of quota and qualify fully at 89 percent.

Despite the indication of higher-than-anticipated costs, the survey shows that results were higher than expected. In answer to a question as to what sales result they "usually set as a sales incentive goal," the average response was 18.5 percent (median 15), very close to both these users' reports of their 1985 results and the response of last year's users.

On the difference between 18.5 percent, the goal, and 20.9 percent, the reality, any sales executive could be expected to wager a little extra budget money. And their report of a continuing rise in sales incentive spending—by more than 9 percent this year—shows they're willing. ■

THE AVERAGE COST



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AUGUST 1986

Incentive Marketing

A BILL PUBLICATION

INCORPORATING INCENTIVE TRAVEL

FACTS Survey:

Buying Gifts for Business

PLUS:

·Chicago Pre-Show Report ·Recipe Contests
·Do-it-Yourselfers ·Munich

EMPLOYEE MOTIVATION: Travel applications, p. 72

August 1986

82nd Year, Vol. 160
Number 8, ISSN-00119-3364

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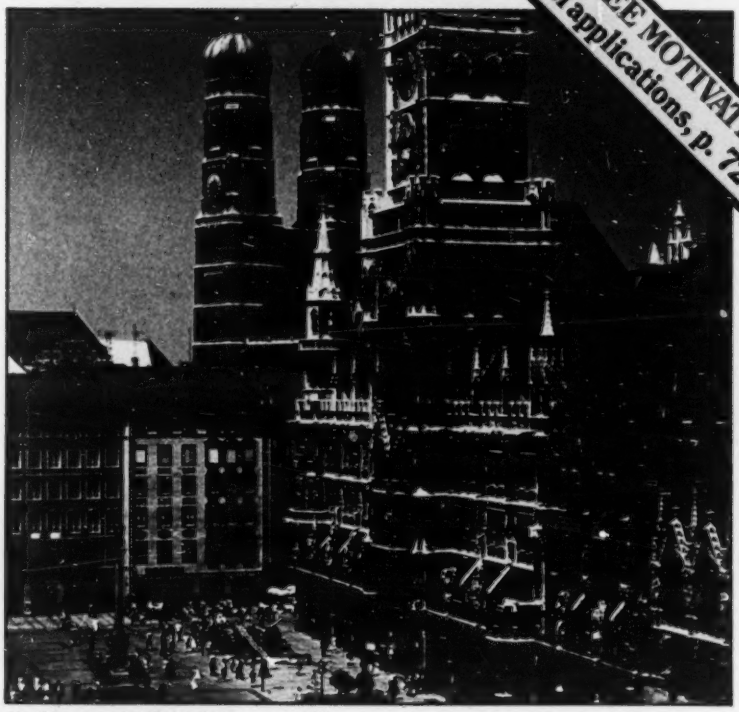
Leslie Jean-Bart



Sightseeing in Munich. See page 78.

NEWS

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- Confusion reigns in search for the best video format in camcorders.
- With do-it-yourself hardware rebounding, consumer and trade promotions flourish.
- Companies diverge in their approaches when advertising low-end merchandise to acquire names for direct mail lists that in turn can be rented out.
- A proposed ban on tobacco ads would severely restrict sales promotion activity.

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Corporate executives predict a double-digit rise in their largesse for the first time since 1981.

FACTS Survey

Buying Gifts for Business

A surge of good feeling seems to have overtaken givers of business gifts this year. Executives just surveyed by **Incentive Marketing** are predicting a double-digit rise in their largesse for the first time since 1981.

Last year's gift bill was estimated at $1.18 billion. Projecting the early estimates yields a 1986 total of about $1.32 billion, based on the 11.7 percent increase suggested by the survey. That would be double the spending for business gifts in 1979.

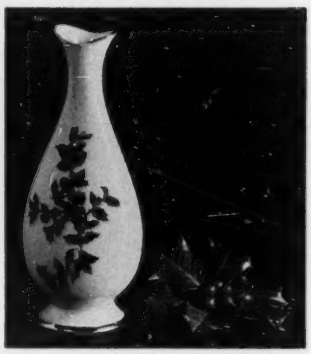
After a number of slow years when expenditures lagged behind the rest of the incentive field, business gifts had a spending spree in 1980 and 1981, with jumps of 13.4 percent and 18 percent. While this year's potential gain does not match the numbers of that period, it is more impressive when inflation rates are considered.

The gradual trend away from Christmas-only giving may have something to do with the increase. Although Christmas is still by far the favorite gift time, it has lost some ground: The last four surveys, including this one, show Christmas as the choice of 74 percent, 70 percent, 68 percent and now 67 percent. Not many years ago it was the primary gift choice of 80 percent to 85 percent of executives.

No one time has gained strongly at the expense of Christmas: Company anniversaries and

Gift Packets
Garland

For more information, circle No. 1 on Reader Action Card.



Holiday Small Vase
Lenox

For more information, circle No. 2 on Reader Action Card.

Gift Certificates
K mart

For more information, circle No. 3 on Reader Action Card.

Occasional Throw
Pendleton Woolen Mills

For more information, circle No. 4 on Reader Action Card.

Spacemaker II Microwave Oven
Black & Decker

For more information, circle No. 18 on Reader Action Card.

birthdays are listed by only 6 percent each, Thanksgiving by 3 percent and New Year's by 2 percent. The movement is in the area of "other occasions"—noted by 40 percent in this survey. These include plant visits, seminars, trade shows, employee outings, annual meetings, employee anniversaries, sales meetings and key sales calls at any time of year.

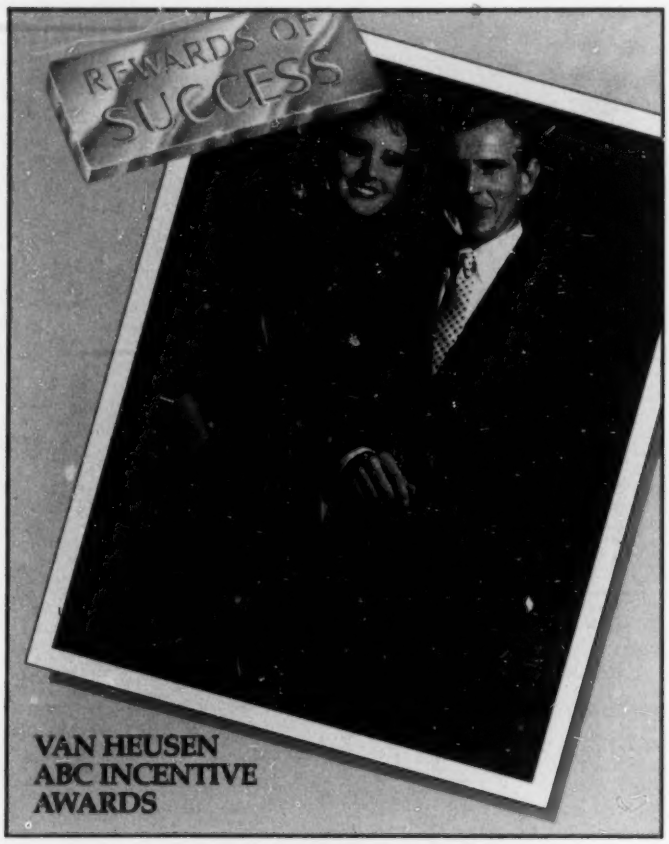
The tie to sales calls also is seen in the question of who presents the gift. The answer had been salespeople by 43 percent and 44 percent in the past two surveys, rising to 49 percent this year. At the same time, presentation by an executive has dropped from a 45 percent preference to 36 percent and now 33 percent. This coincides with a trend noted by **IM** last year: "The perennial 'thank-you' of business gifts continues to increase in favor as a marketer's good-will tool, but there are growing indications that an important 'please' is being built into the message gifts carry."

Despite the indication of a broader application of gifts last year, the estimate of expenditures did not reflect a significant increase. Usage rose only 5.1 percent, while the total incentive field gained 7.9 percent in 1985.

On an industry basis, purchase of business gifts is more broadly distributed than any other incentive category. In all other groups, the top 10 user industries account for at least half of total spending—up to 67 percent in incentive travel. For business gifts, the top 10 represent only 45 percent of the business.

Last year, four of the 10 largest users exceeded the rate of increase for all industries—with banks and savings and loans the leader, up 8.7 percent. In dollars, the big spender was auto parts at $103.7 million. Here is how the top 10 moved in their gift buying in 1985:

Auto parts, tires, accessories	**+5.0%**
Automobiles & trucks	**+5.2%**



ABC Incentive Awards Catalogue
Van Heusen

For more information, circle No. 5 on Reader Action Card.

Mark XXII Rifles
Weatherby

For more information, circle No. 6 on Reader Action Card.

Toiletries & cosmetics	**+5.1%**
Insurance	**+4.6%**
Banks, savings & loans	**+8.7%**
Electric appliances	**+5.6%**
Electronics, radio, TV	**+4.8%**
Food products	**+4.5%**
Building materials	**+6.4%**
Publishers, printers & broadcasters	**+3.8%**

This year's special survey brings responses from 368 business gift users. About 270 report dollar expenditure figures for 1985 and 1986, providing the basis for the estimate of an 11.7-percent increase in purchases. Forty-six percent report that they are increasing their gift buying, with 7 percent decreasing. The comparable figures from last year's survey group were 61 percent and 7 percent, respectively. Fewer are spending more this year—but showing larger individual increases.

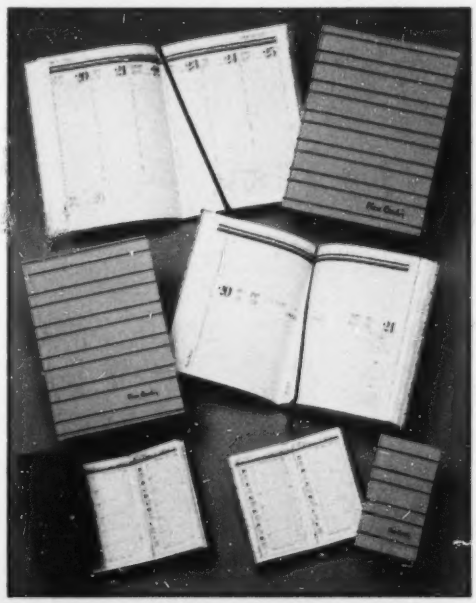
This year's executives are, in general, somewhat bigger spenders than the 1985 survey group. Last year, the average budget was $14,989. This year's respondents say they spent $17,461 for 1985 gifts and have budgeted an average of $19,503 for 1986. In both surveys, however, the median expenditure is $5,000, with the much higher averages reflecting the influence of some rather large users.

There is often a very narrow line between business gifts and advertising specialties. Both are often sold by the same people—ad specialty distributors. The two are usually differentiated by price and by the presence or absence of an advertising imprint. But increasingly in recent years those distinctions have blurred, at least in the minds of many of the survey respondents.

Thus, the word "advertising" often shows up in the comments readers make about gift practices. Ernest L. Waterhouse III, director of sales for the Pennsylvania Wire Rope Corporation, Martinsburg,

Auto parts companies are the biggest spenders, while banks and savings and loans show the greatest growth among top 10 business gift users.

Daily, Weekly & Pocket-Size Agendas
ArtMold/Pierre Cardin



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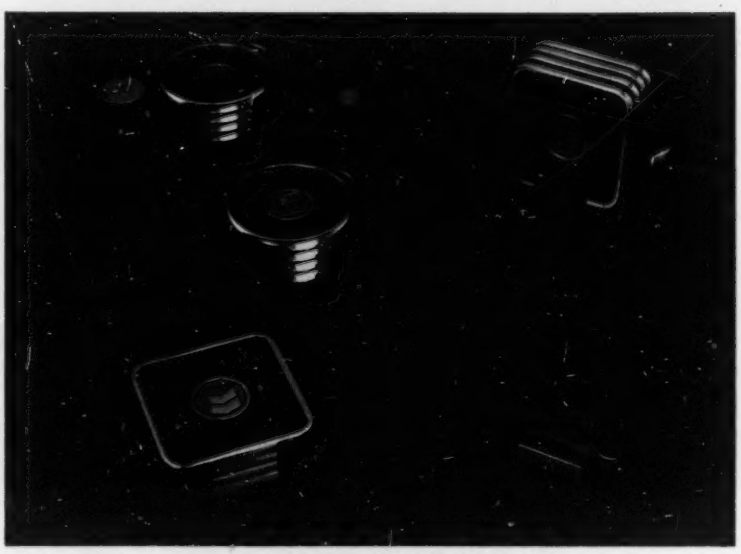


Dymondwood and Solid Brass Coaster Gift Ensembles
BTS Solid Brass Specialties

For more information, circle No. 8 on Reader Action Card.

W. Va., gives 100 or more gifts at Christmas to major customers—items in the $25 cost range and carrying a company-name imprint. He calls them "advertising for the company—helps keep our name in front of important customers."

A Southern manufacturer of oil-field products says, "Our gifts are small in value and have our advertising imprinted except during Christmas. In the last few years, most oil companies prohibit their personnel from receiving gifts except advertising specialties."

While it is not always called advertising, the reasons for gift usage are dotted with such words as "reminder," "our name," "image," "impression" and "awareness." For example, gifts averaging a little over $5 in cost are given to customers and prospects by Philip L. Pelletier, advertising manager of the Lawrence Eagle Tribune, N. Andover, Mass., to "generate awareness of our newspaper," he says. "We select gifts that are utilitarian but displayed, so that others will see the company name and phone number. Our gifts are so useful that we get many requests for replacements when they are consumed or out-of-date."

Notes James M. Kane, executive vice president of the Warner Manufacturing Corporation, a Kearny, N.J., maker of aluminum extrusions: "Our gifts bring our name to the attention of our customers in a subtle manner. They replace a sales call by one of our representatives."

Personalized gifts without advertising get the job done for Services International Inc., a Dalton, Ga., wholesaler of furniture and floor coverings. Gifts to major customers at Christmas cost up to $65 each. Says sales manager George W. Drum: "We give without expecting business in return, and it creates quite an impression not to want something in return. They appreciate your thought."

The question of an imprint—and whose—is one of taste as well as of cost and mechanics. This year's survey finds that 23 percent of executives prefer to personalize gifts for the recipient, up one point from last year and from 17 percent in 1984.

On the other hand, 65 percent of this year's group of gift buyers say they have a company imprint on gifts. The question was not asked in the past few surveys, but the current figure is much higher than was found in some earlier studies.

With or without advertising, the principal reason stated by most for giving is expressed in words like "thank-you," "good will" and "friendship." These feelings blend with some clear business value in the program of John B. Perry on the sales promotion staff of Kingsbury Machine Tool, Keene, N.H. "We use gifts as a means of saying thank-you or 'hello, I'm so-and-so from Kingsbury.' Many of our business friends are from long association and many years of mutually beneficial interests." His gifts, costing up to $50, are personalized and company-imprinted, including such items as pen and pencil sets, watches, and clocks given to customers, employees and stockholders.

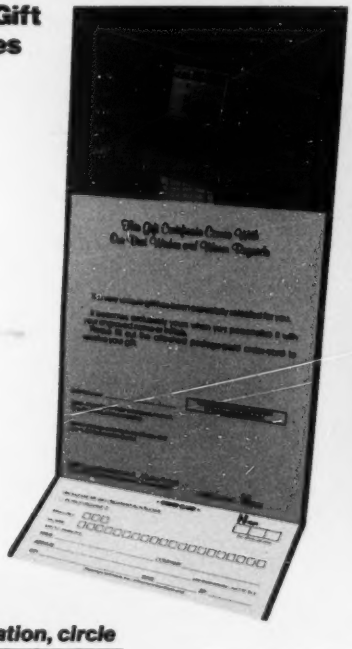
"We offer gifts as a token of appreciation for their business and primarily the friendship shared," says Cindy Gasser, sales manager of the Gasser Chair Company, Youngstown, Ohio. "Our dealer incentive gift distribution plan is primarily to let them know we acknowledge and appreciate their support and business." Gifts, costing about $8, go to major customers and employees at Christmas and in active summer sales months. They usually carry a company imprint.

About 500 gifts ranging in cost from $1 to $25 are given each year by electrical manufacturer Amo-

Racquet Court Sneakers
McDonough Incentive Division

For more information, circle No. 9 on Reader Action Card.

"Gift Now" Gift Certificates
Alcraft



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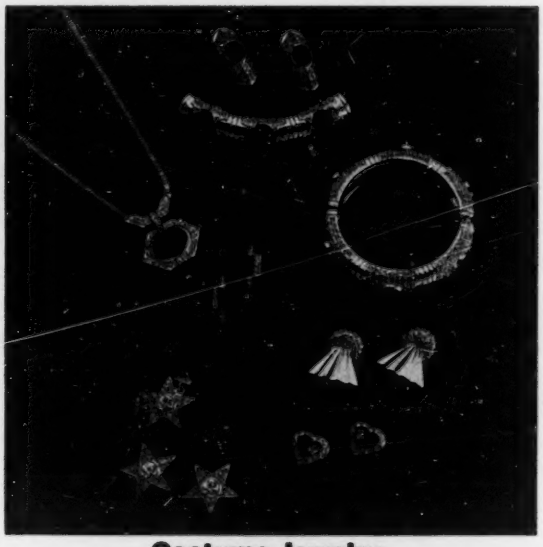


Costume Jewelry
Piscitelli

For more information, circle No. 11 on Reader Action Card.

lex Inc., Lisle, Ill., to major customers, prospects and employees. "It is our preference," states director of advertising A. Maag, "to purchase gifts that have quality and that will stay on a person's desk or can be used for a long period of time or even kept forever, thus justifying the cost even more...such as address books, sports classic books signed by authors, and apparel.

"I don't let gifts influence me, and I hope they don't influence our customers. They are to be considered nice gestures of appreciation and remembrance."

Gifts are "a matter of policy" for David A. Devins, president of Durable Outfitters Inc., a New York jewelry manufacturer. "If the recipient is pleased, I am also—I feel like a better person when giving."

And for George Pickard, executive director of the Roller Skating Rink Operators Association, Lincoln, Neb., who gives gifts mainly to the association's board of directors, gifts have a very simple purpose: "To create love." Certainly a good return for about $20 per gift.

Clicroller Gift Set
Pentel of America

For more information, circle No. 12 on Reader Action Card.

Some users have negative attitudes toward business gifts. While the word "custom" is often used in connection with the practice, the similar but less favorable "habit" was the one-word comment of a number of survey respondents.

Compact Binoculars
Minolta

For more information, circle No. 13 on Reader Action Card.

"Established tradition" is the term of similar import used by A.J. Phillips, sales manager of the Westvaco Corporation, based in Spring, Tex. He spends several thousand dollars a year on personal gift items for customers and prospects. "I personally question the value of business gifts at today's cost. The money could be better spent in areas where a directly measurable result is obtained."

Saul Horwitz, president of Central Jersey Supply, Mountainside, N.J., expresses mixed feelings: "I believe it is a necessary evil in many cases, but I do think that many people appreciate it, and I don't think that these gifts influence their decision."

Only 8 percent of respondents believe that their gifts have ever improperly influenced a customer's buying decision, while 9 percent believe that gifts they received were intended to exert improper influence.

Although there continues to be some formalized corporate prejudice against gifts, fewer respondents (66 percent) say they see it in their customers than those replying a year ago (74 percent). Among

Corduroy Jackets
DeLong

For more information, circle No. 14 on Reader Action Card.

TOP CHOICES

Pen	17%	Watch	5%
Clock	15%	Apparel	4%
Small appliance	13%	Book	4%
Calculator	9%	Coffee mug	4%
Calendar	7%	Golf balls	4%
Diary	7%	Candy	3%
Fruit or food basket	5%	Desk set	3%
Hat/cap	5%	Note pad	3%
Portfolio/briefcase	5%	Radio/tape player	3%
		TV set	3%

POPULAR CHOICES

Listed by 2 percent or more

Cheese	Steaks
Glassware	Travel
Luggage	VCR
Pen set	Wine

Listed by 1 percent or more

Address book	Lighter
Belt buckle	Paperweight
Camera	Ruler
Crystal	Sweater
Gift certificate	T-shirt
Ham	Tape measure
Jewelry	Tools
Key chain	Wallet

those who do see corporate anti-gift policies, the incidence remains the same at 30 percent.

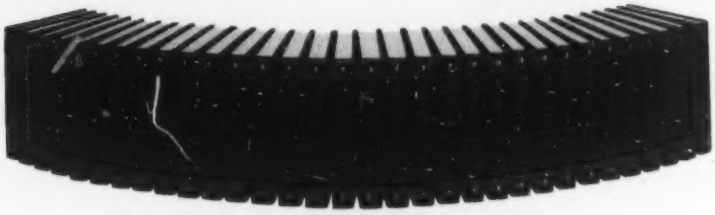
Among the great majority with no thought of cutting back on giving, the business gift often is seen as a means of insuring continued patronage. But a few see it as a more specific form of insurance: "We give business gifts as a peace offering when we want to smooth over a difficulty," says Linda Marie Cole, sales manager of Coffee Bean Luxury Service, N. Hollywood, Calif. "Here it helps get the relationship back on a positive footing."

Stephen Frank, marketing director of Handishop Industries Inc., Tomah, Wis., gives to major customers "to show appreciation of their business. Benefits include good business relationships and an open attitude towards correcting business difficulties."

At the Wheelabrator Corporation, a Mishawaka, Ind., machinery manufacturer, manager of marketing services Frank R. Pulice presents gifts to 400 to 500 major customers. He notes, "Business negotiations potentially are stressful, and because the subject matter does not influence personal lives, the atmosphere can become impersonal and cold. As the result of this, we like to offer a personal token of appreciation to help promote friendship and develop long-term, mutually beneficial business relationships."

Surveyed executives are showing some tendency to rein in their costs, even though overall expenditures are continuing to rise. Although this year's average unit cost is $41.89, slightly above the $39.30 average reported a year ago, the median has declined to $16.50 per gift from $18 a year ago.

As to future purchases, only 22 percent say they are looking at higher price tags, down from 30 percent last year. In both years, 5



Classic Brown Edition Encyclopedias
Encyclopaedia Britannica USA

For more information, circle No. 16 on Reader Action Card.

percent were planning to spend less.

For the number of gifts these marketers expect to buy, the average has increased greatly since last year—698 now, compared with only 340—but the median remains at 100 for both years.

Decisions are most often made by a company's top executive—president, chief executive officer, executive vice president or general manager—indicated by 58 percent in the present survey. Twenty-six percent say director of sales or marketing; 10 percent, director of advertising or sales promotion, and 6 percent, product or merchandising manager.

In most cases the same executive has the final say as to who receives the gifts. Major customers are the overwhelming favorite, chosen by 59 percent of respondents. About 42 percent give to employees, while 24 percent favor "all or most customers," 16 percent give to prospects, 3 percent to stockholders and 8 percent to other classes of recipient.

We asked these readers about five aspects of the mechanics of gift buying and presentation:

When do you order gifts?

January	**8%**
February	**9%**
March	**9%**
April	**9%**
May	**7%**
June	**8%**
July	**12%**
August	**11%**
September	**22%**
October	**26%**
November	**22%**
December	**11%**

Preferred type of gift

Personal merchandise	**55%**
Desk items	**49%**
Food	**19%**
Home or decorative items	**16%**
Liquor	**14%**
Recipient's choice of several	**8%**
Own products	**7%**

Source of business gifts

Direct from manufacturer	**41%**
Incentive representative	**28%**
Advertising specialty counselor	**27%**
Wholesaler or distributor	**26%**
Mail-order firm	**13%**
Incentive firm, jobber, stamp company	**12%**
Retail store	**11%**

How are gifts delivered?

Salesperson	**49%**
Executive	**33%**
Parcel delivery service	**29%**
Mail	**24%**
Messenger	**7%**

Where are gifts presented?

Recipient's place of business	**65%**
Recipient's home	**27%**
Donor's place of business	**24%**

Multiple responses result in totals exceeding 100 percent. ■

Midwestern Beef Steaks
Omaha Steaks International

For more information, circle No. 17 on Reader Action Card.

Travel FACTS • Teen Marketing • Imprinted Apparel

C1200-4A

SEPTEMBER 1986

Incentive Marketing

A BILL PUBLICATION

INCORPORATING INCENTIVE TRAVEL

The Chicago Shows

A World of Awards

PRODUCT FOCUS: Imprinted Apparel, p. 124

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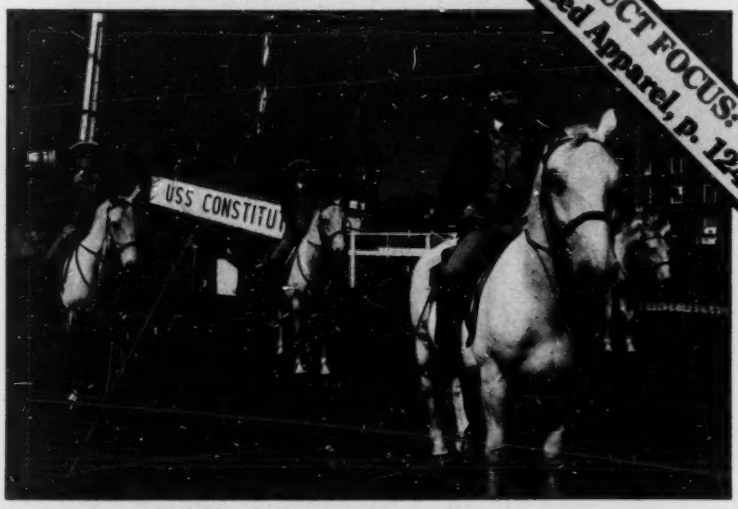

Wooing winners with historic Boston. See page 142.

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- Retail gift certificates make inroads in do-it-yourself motivation programs; will catalogue plans suffer?
- Marketers tap America's lust for sweepstakes to draw attention to coupon drops.
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After two rousing years, travel settles down to a 5 percent increase in expenditures, according to the latest survey.

Travel FACTS

Travel, which outran the rest of the incentive field in growth during 1985, appears to be slowing to a walk this year, a new **Incentive Marketing** survey shows.

While devotees raised their investments in travel last year by an estimated 10.1 percent over their 1984 budgets, a number of them reported that they are spending an average of only 5.5 percent more in 1986. Executives offering sales-force trips are spending a fairly respectable 7.9 percent more this year, but dealer promotions are up a scant 3 percent. These projections are substantially lower than any that users reported in other special incentive surveys this year.

A noteworthy shift in the field occurred last year. Incentive travel for salespeople outspent dealer programs for the first time, taking 51 percent of all travel dollars. This totaled $796 million, against dealer motivation's $771 million.

In 1985, virtually all of the tabulated industries showed growth in travel usage. The top user of travel, insurance, boosted its budget by 11.3 percent, which translated into an extra $21.7 million. Second-ranked electronics, radio and television also spent beyond the average, with a 10.5 percent increase. Auto parts, accessories and tires, in third position, increased its travel usage by 8.7 percent,

Incentive travel for salespeople outspent dealer programs for the first time.

and the makers of automobiles and trucks held fourth place with an expansion of 10.3 percent. The number-five industry, farm equipment, was the laggard with a 6.1 percent increase.

The rest of the top 10 were, in order, heating and air conditioning, office equipment, electric appliances, building materials, and toiletries and cosmetics.

Executives of 313 user companies participated in this year's IM survey, supplying budget information as well as detail on the objectives, conduct and results of their travel campaigns. Dollar expenditure estimates for both 1985 and 1986 were supplied by 235 firms, and they form the basis of the growth trend cited.

The slowing of growth did not start this year. The 1985 increase of 10.1 percent was actually well below the minor explosion of 17.5 percent that occurred in travel in 1984. Sales incentives outpaced dealer promotion that year, expanding by 21.3 percent. It was an expression of hope for a growing economy.

A cooling of the national economy in 1985 brought some slowing of growth. With sales incentives and dealer awards increasing at an equal rate, the hope that aggressive salesmanship would lead the way in an economic upswing was fading.

This year, with the economy limping, still more restraint is apparent. But more marketers are putting their money behind the sales force again.

In 78 percent of cases, users report that their programs are aimed at salespeople. That is not an exclusive focus, however: companies average more than two target groups each. Second choice is retailers, at 29 percent; 22 percent aim at distributors. Others to whom travel incentive plans are offered are dealer salespeople, 18 percent; independent sales reps, 16 percent; direct sellers, 13 percent; non-sales personnel, 13 percent; distributor salespeople, 12 percent, and others, 4 percent.

Whether cause or effect, the slowing of growth is accompanied by a slippage in the arithmetic of incentive travel. Last year's results were excellent by any measure, but this year's surveyed executives say they are getting a little less for more money. Other indicators are more positive. Some key findings of the survey:

Sales results are lower. This year, the average reported increase in a travel campaign is 17.8 percent. Last year, the comparable figure was 21 percent.

Costs are higher, in relation to incremental sales. This ratio had held at a median of 7 percent for three years before dropping to 6 percent last year; it has now moved up to 8 percent. The averages for five years ending with this survey have been 11 percent, 10.5 percent, 10.6 percent, 10.1 percent and 11.5 percent.

Unit cost of a trip remains steady, with a small drop in the average—from $1,421 to $1,376—and an unchanged median of $1,200 per person.

Participation by qualifiers is up. Last year's 31 percent average qualification rate was an increase over some recent experience, but the present reports show a handy advance to 36 percent among these users.

Group trips are still the rule, despite growth of individual awards in recent years. This survey finds 56 percent of the executives favor-

TOP 10 INCENTIVE TRAVEL USERS: 1985

INSURANCE	$214,992,000	+11.3%
ELECTRONICS, RADIO & TV	$151,962,000	+10.5%
AUTO PARTS, TIRES, ACCESSORIES	$147,206,000	+ 8.7%
AUTOMOBILES & TRUCKS	$134,677,000	+10.3%
FARM EQUIPMENT	$ 91,825,000	+ 6.1%
HEATING & AIR CONDITIONING	$ 90,126,000	+11.0%
OFFICE EQUIPMENT	$ 71,624,000	+10.3%
ELECTRIC APPLIANCES	$ 56,677,000	+10.3%
BUILDING MATERIALS	$ 48,621,000	+21.1%
TOILETRIES & COSMETICS	$ 46,333,000	+12.4%

The median cost in relation to incremental sales has risen to 8 percent from 6 percent.

ing group movements.

Group size continues to grow. After dropping for a few years, the average group last year turned up a bit—to 148. This year's average is a shade higher at 157. The median number of people, however, remains 75. Spouse participation is built into the promotion by 92 percent of respondents.

Domestic sites grow stronger. A year ago, 42 percent in the IM survey said they use only domestic destinations, and 21 percent went only to foreign sites. This year the domestic-only group has risen a bit to 45 percent, and foreign travel is now the exclusive choice of only 5 percent. Among the remaining 50 percent, they split their expenditures about 56 percent domestic, 44 percent foreign. As a point of comparison: In 1976, IM estimated that 59 percent of all travel expenditures were for foreign trips.

Half the users also offer merchandise awards. A year ago, 55 percent of respondents in our special survey said they use some merchandise awards along with their travel programs—up from 45 percent in 1984. In this survey, the figure backed off to 50 percent, with 45 percent saying they do not use merchandise and 5 percent not answering.

Business still has an edge over pure pleasure. The survey shows that 53 percent (one point below last year) conduct business meetings during their group trips, which average five nights. An average of 8.7 hours of business activity is held, with the median at seven hours.

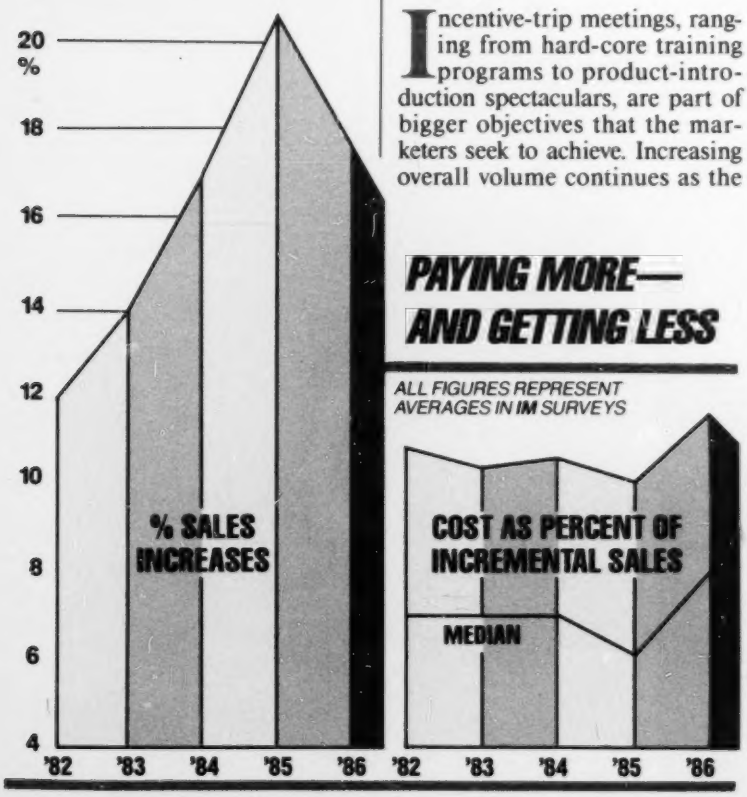
Incentive-trip meetings, ranging from hard-core training programs to product-introduction spectaculars, are part of bigger objectives that the marketers seek to achieve. Increasing overall volume continues as the leading objective cited by users—by a fairly high 81 percent in this survey. But the users also have other goals—an average of almost two and a half objectives

Improving morale of the sales force and good will among dealers is the second-choice objective—one many consider a unique by-product of incentive travel—favored by 45 percent. Third is introducing new products, noted by 30 percent of executives, while 20 percent use travel to move a full line or slow items. Other aims are offsetting competition, 18 percent; bolstering a slow season, 13 percent; building dealer traffic, 12 percent; supporting a consumer promotion, 12 percent, and preparing for a strong season, 9 percent.

How frequently do users pursue these objectives? In the case of those using foreign destinations, costs tend to be higher and selling periods longer—often a year or more—and thus a single promotion per year is the median rule. A few exceptions bring the average to 1.3. Domestic travelers, who may plan shorter and less costly trips or use more individual travel awards, average 2.8 per year, with a median of two.

Some go far beyond the averages with up to a dozen or more promotions a year, often to different audiences and with different objectives. Shirley Wintermute, product marketing manager of the McKesson Corporation, a San Francisco-based distributor, conducts six trips to domestic destinations each year for groups of about 75 people, spending four nights and working through 20 hours of meetings.

The target groups are company and dealer salespeople, dealer principals and direct-selling personnel. On average, 15 percent qualify. In addition to increasing total sales, McKesson seeks to im-



Only 20 percent permit buy-ins; the average amount of cash paid is 28 percent of the cost of the trip.

prove morale and to introduce new products.

Understandably, Wintermute's major problem is "lead time to properly arrange accommodations and transportation with cost savings." Planning begins about 30 weeks before a trip is scheduled to run but only six to eight weeks before the start of a typical 12-week selling campaign. Destinations vary from Hawaii to Florida, Hilton Head to Scottsdale. But the program pays off: Sales increases in the most recent promotions were about 30 percent.

While the marketing manager has the burden of execution at McKesson, final decision on the overall program and site is a top-management responsibility. This is the case with most users: 64 percent of respondents said the final word rests with the chief executive officer, executive vice president or general manager. Sales or marketing directors make the decision in 28 percent of cases.

While some users find management approval a source of frustration, one maker of automotive equipment has a more basic problem, even with a program of close-to-home destinations and small budget: "The CEO does not believe in incentive travel, bonuses or rewards. He is devoid of marketing background and feels incentives are a waste of money."

Another problem in dealing with company management is noted by Jack Ashcom, manager of marketing at the Republic Steel Corporation, Canton, Ohio, who has trouble "eliminating subjective input from management when determining final winners." He conducts two domestic-travel programs a year, with individual awards. They are open-ended, and about 10 percent usually win.

An executive with a New England rental service, which conducts an annual 26-week foreign-trip program and has more than 50 percent qualifiers, laments "paying winners a cash award if they don't utilize the trip. This year 15 percent of the people who won took the cash award. I think this is a mistake—too many took the cash."

Cash flows the other way in some programs: Where buy-ins are permitted, participants who did not make quota are allowed to pay for a portion of the trip. This practice has been on the decline: Last year only 24 percent said they permitted buy-ins, and the present survey cuts that to 20 percent. Of those who do buy in, the average amount of cash they pay is 28 percent of the cost of the trip.

Decisions on such points are a part of the planning process for an incentive program, which characteristically takes longer with travel than for a merchandise award plan. This year's surveyed executives say they spend a week more in planning than those reporting last year—39 weeks before the actual trip departure date. The average time selling in the field to qualify for the trip is 28 weeks.

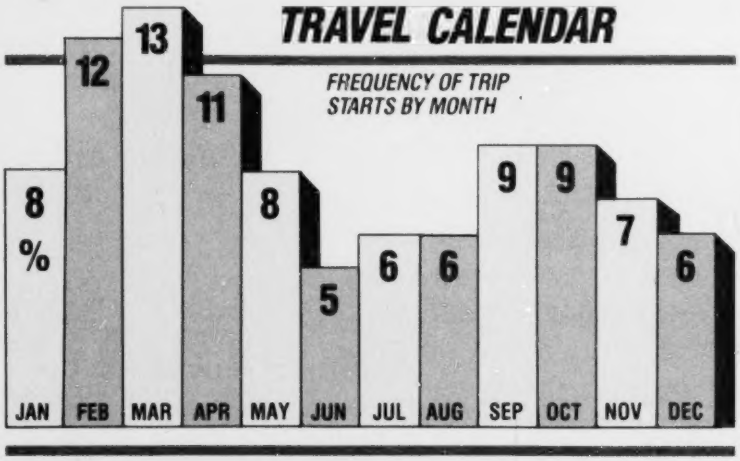
In all of these planning and selling segments, the median is a bit shorter—30 weeks planning before the trip and 24 weeks to qualify.

Trips are scheduled throughout the year, and a given company's market season normally will dictate the timing. Overall, the busiest time is February through April.

Not many users run trips in December, but Zoecon Industries, a Dallas manufacturer, does. National sales manager Terry Halteman says a big problem is "choosing a site with necessary facilities that can provide good weather for a December trip. . .and hotel and ground service that is efficient."

Halteman takes 220 people on an annual five-night trip, usually domestic, and begins planning it 75 weeks ahead. The sales period is 40 weeks long. Zoecon's latest trip brought a 30 percent rise in sales, at a cost of about 10 percent of the increment. "The trip is used as a reward for performance yet is necessary to motivate for the upcoming selling season," says Halteman.

Site selection is the main job for D. R. Reavis, national sales manager of the VBM Corporation, a



"Too many customers procrastinate in their final commitment to reaching quota," notes a floor-covering wholesaler.

Louisville auto-parts maker. "The mechanics of incentive trips are easy," he says, but the challenge is "picking a location that pleases such a diversified group of people as we deal with. Our people are highly successful independent reps, and many have already done extensive traveling. So choosing a place exciting and different yet capable of pleasing such varied interest" is the most important task. The choices for a six-night trip for 30 to 45 people have included Grand Cayman Island and Hawaii.

Thirty percent of the reps qualify, and their most recent effort yielded a sales increment of 28 percent during a 24-week period.

J. F. Lynch, vice president of marketing for Denver-based Woodmen of the World, a fraternal insurance organization, is concerned with "creating the program with a perfect balance of activities for all ages and tastes, plus enough free time to do as they desire, and avoiding carbon-copy conferences yet maintaining some sense of tradition."

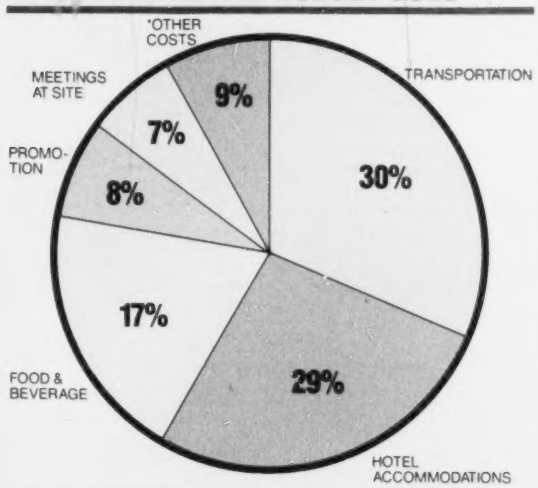
The sites he has chosen for six-night trips include Washington, Nassau, Monterey, Calif., and, about every four years, a foreign destination like London. About 110 people, or 30 percent of eligibles, qualify after 52 weeks of selling. In the latest round, they turned in a 15 percent increase in sales at a cost of only 5 percent of the increment.

Many travel programs, like that of the Woodmen, are lengthy, since it takes time to accumulate enough sales volume to cover the cost of a major trip. In this survey, while the average selling period is 28 weeks, 28 percent of the users run programs lasting 52 weeks or longer.

"Too many customers procrastinate in final commitment to reaching quota," notes a floor-covering wholesaler with a 40-week sales period in a program for retailers. His trips take 150 or more people for six nights to destinations like Hawaii, Switzerland and London—but only 15 percent of those eligible participate, even with buy-ins.

A beverage distributor sees another problem in the length of even a 26-week campaign: "outside management shifting store managers and upsetting the continuity." But even with a shorter program, a campaign has its problems. Neil Prager, vice president of the Nassau Research Corporation, a North Brunswick, N.J., manufacturer, has trouble "keeping the slow starters excited about

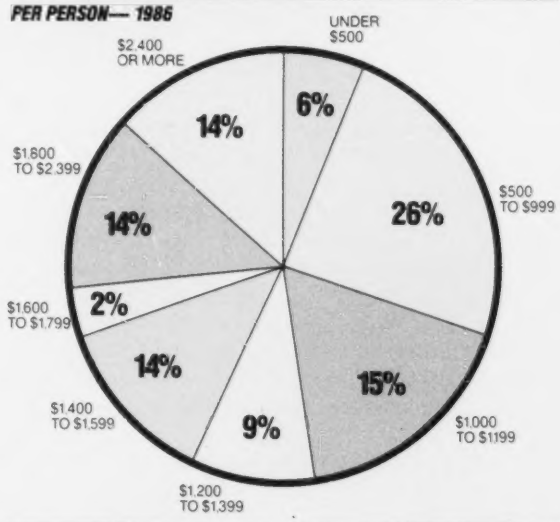
WHERE THE TRAVEL BUDGET GOES



*INCLUDES GROUND TRANSPORTATION, SIDE TRIPS, TOURS, INSURANCE, ENTERTAINMENT ETC

COST OF INCENTIVE TRIP

PER PERSON— 1986



AVERAGE $1,376
MEDIAN $1,200

PER COUPLE COST APPROXIMATELY DOUBLE (92% INCLUDE SPOUSES)

the trip. Too many give up too soon. We have achieved some success by targeting those that have never won a contest and giving them extra support."

Notes W. E. Mattila, retail manager of Rockview Dairies Inc., Downey, Calif., "It seems a certain percentage never want to go along with the program. . . so we just gear it to those who do."

Available budget dollars per qualifier can narrow the world to certain destinations that fit the figures. The majority of users—59 percent—have a special budget set up in advance for the travel program. Another 22 percent allocate regular promotion funds which are used for the trip. In 19 percent of cases, the users derive the budget specifi-

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SELECTED DESTINATIONS

DOMESTIC
571 Responses

120-HAWAII
8 Maui
2 Honolulu

87-CALIFORNIA
24 San Francisco
9 Lake Tahoe
9 Los Angeles
6 San Diego
4 Palm Springs
2 Anaheim

86-FLORIDA
25 Orlando
9 Miami
2 Boca Raton
2 Destin
2 Sanibel Island

48-ARIZONA
10 Phoenix
4 Scottsdale
3 Tucson

39-NEVADA
32 Las Vegas
3 Reno

23-NEW YORK

18-PUERTO RICO
5 San Juan

13-VIRGIN ISLANDS
7 St. Thomas

12-COLORADO
3 Vail
2 Colorado Springs

12-LOUISIANA
12 New Orleans

11-TEXAS
4 Dallas
2 Houston
2 San Antonio

10-MASS.
8 Boston
1 Hyannis
1 New Sudbury

8-VIRGINIA
6 Williamsburg
2 Norfolk

8-D.C.

7-ILLINOIS
7 Chicago

7-PENNSYLVANIA
3 Poconos
2 Hershey
1 Lancaster
1 Pittsburgh

6-ALASKA

6-NEW JERSEY
5 Atlantic City
1 Camden

6-TENNESSEE
5 Nashville
1 Knoxville

5-GEORGIA
2 Atlanta

5-SOUTH CAROLINA
4 Hilton Head

4-MISSOURI
2 Lake of the Ozarks
2 St. Louis

4-WEST VIRGINIA

4-WISCONSIN

3-MICHIGAN

2-ALABAMA
1 Gulf Shores
1 Point Clear

2-MARYLAND
1 Baltimore
1 Ocean City

2-NEW HAMPSHIRE

2-NORTH CAROLINA

2-OREGON

2-CRUISES
1 Alaska
1 Mississippi River

1-ARKANSAS

1-INDIANA

1-OHIO

1-OKLAHOMA

1-UTAH

1-VERMONT

1-WASHINGTON

FOREIGN
377 Responses

116-WESTERN HEMISPHERE

67-MEXICO
16 Cancun
15 Acapulco
5 Puerto Vallarta

43-BAHAMAS
8 Nassau
6 Paradise Island

43-CARIBBEAN
13 Jamaica
3 Barbados
3 Dominican Republic
3 St. Maarten
2 Aruba
1 Grand Cayman

21 BERMUDA

16-CANADA
4 Toronto
3 Quebec
2 Vancouver

9-S. AMERICA
6 Brazil
1 Columbia
1 Venezuela

116-EUROPE

28-ENGLAND
15 London

15-GERMANY
5 Munich

13-SWITZERLAND

10-FRANCE
6 Paris

10-ITALY
5 Rome

10-SPAIN

6-MONACO
6 Monte Carlo

4-AUSTRIA
4 Vienna

4-IRELAND

3-PORTUGAL
2 Lisbon

3-SCOTLAND

3-EASTERN EUROPE
2 Yugoslavia

3-SCANDANAVIA
2 Sweden

2-GREECE

2-NETHERLANDS

27-FAR EAST
14 Hong Kong
5 Japan
4 China
1 Singapore

16-SOUTH PACIFIC
6 Australia
6 Tahiti
3 New Zealand

16-CRUISES
9 Caribbean
1 Bahamas
1 South America

2-MIDDLE EAST
1 Egypt

1-AFRICA

TRAVEL FACTS

CONTINUED FROM PAGE 64

cally from the sales forecast for the period. Only 11 percent indicated they have an open-end budget, as a percentage of sales added.

However, in another question, 63 percent say their programs are open-ended—that is, all who reach specified goals earn the trip. The difference usually is that the budget is fixed on the basis of known factors and good guesses as to the results. If the promotion is open-ended and the budget is not, the user who achieves too much success will have to go back to the till for more funds—which come out of the extra sales that were not anticipated.

Although the budget is set in advance, 47 percent say they set individual quotas on the basis of a sales forecast; 31 percent set quotas on the basis of established budget numbers, and 22 percent use other methods or did not answer.

This year's breakdown of the budget differs little from those of the past few years, with one exception: The average expenditure for hotel accommodations, 29 percent, is up from 27 percent in last year's study. Transportation is still the biggest bite but has eased slightly from 31 to 30 percent.

In determining who handles the travel details, there is a major change in this year's reports. Arrangements by "in-house staff," last year's choice of 59 percent of the executives, now is indicated by only 29 percent. Taking over the lead position is the local travel agent, favored by 48 percent; 24 percent employ the services of incentive houses, and 14 percent deal with carriers, hotels and other suppliers directly. The total exceeds 100 percent because of multiple answers.

When it is all over, how do you measure what you got for your time and money? For 48 percent of the users, total units or dollars sold are the primary criteria. The percentage of people reaching goal or quota is the measure chosen by 35 percent. Increase in market share is used by 23 percent; profit on incremental sales, 16 percent; branch or district performance, 12 percent, and other criteria, 7 percent. The total of over 100 percent shows that many users have more than one method of counting up their gains.

Most executives feel confident enough to conclude that their efforts were well placed. But there will probably always be the nagging "what if" questions.

"Was the program self-liquidating—did it pay for itself? . . . Did we realize true plus-sales as a direct result of the program, or did we secure sales that we would have gotten anyway?"

Most incentive users probably ask themselves these questions frequently. But it is clear that they don't want to pay the probable price of finding out by laying down what still looks like a very potent weapon. ■

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